

Board Policies and Charters

This Farm Credit Administration (FCA) document is a supplement to the FCA Examination Manual which identifies areas that require institution policy direction or charters. This is a risk assessment tool examiners use as part of monitoring to identify regulatory requirements for policies and charters and assist in planning examinations. Our examination of an individual required policy or charter is accomplished by completing the standard examination procedure within the applicable topic. In many cases, an institution's need for a particular policy would be based on engaging in the applicable activity – examiners should apply judgment in making this determination. Likewise, if the board has accomplished the requirement through some method other than a formal board policy, use judgment in evaluating the appropriateness of that method.

Management/Admin
Description & Exam Procedure Reference
Responsible Entities
Criteria
Cyber Risk Management
All chartered institutions, including Funding Corp.
609.930 ; IM 8/30/99 ; IM 11/08/99 ; IM 10/02/00 ; IM 7/2/02 ; IM 9/19/02 ; IM 6/04/03 ; IM 6/26/03 ; IM 7/29/03 ; IM 4/10/14 ; IM 12/16/14 ; IM 8/5/15 ; IM 6/27/17 ; IM 4/15/24 ; IM 9/26/24 A System institution's board and management must maintain and document effective policies, procedures, and controls to mitigate cyber risks. This includes establishing an appropriate vulnerability management program to monitor cyber threats, mitigating any known vulnerabilities, and establishing appropriate reporting mechanisms to the institution's board and the Farm Credit Administration (FCA). The vulnerability management programs should be commensurate with the size, risk profile, and complexity of the institution and based on sound industry standards and practices.
Vendor Management
All chartered institutions, including Funding Corp.
609.930(c)(5)
Each institution must have policy direction to address vendor risk management and oversight.
Director Qualifications and Training
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)
611.210(a)(1) and (b) ; BL-009 REVISED
Each bank and association board must establish and maintain a policy identifying desirable director qualifications. The policy must be updated periodically and provided to the institution's nominating committee. Each bank and association board must also establish a policy for director training that includes appropriate implementing procedures. The policy must identify training areas supporting desired director qualifications. Newly elected or appointed directors must complete director orientation training within 1 year of assuming their position and incumbent directors must attend training periodically to advance their skills. In addition, FCA expects each bank and association board to develop and adopt a policy in accordance with the appointed director guidance in BL-009. Refer to the Bookletter for specific items that should be included.

Management/Admin

Impartiality in the Election of Directors

All chartered institutions, including Funding Corp.

[611.320\(a\)](#), [\(b\)](#), [\(c\)](#), and [\(f\)](#); [BL-043 REVISED](#) and [BL-056](#)

Each Farm Credit institution must adopt policies and procedures designed to assure the elections of board members are conducted in an impartial manner. FCBs and ACBs must also have a policy on stockholder-association election activities for bank elections that address the level of support (if the bank permits this activity).

Nominating Committees

Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)

[611.325](#); [IM 11/9/2010](#); [BL-043 REVISED](#)

Each Farm Credit bank and association's board must establish and maintain policies and procedures on its nominating committee, describing the formation, composition, operation, resources, and duties of the committee, consistent with current laws and regulations. There can be only one nominating committee in any one election cycle. Each nominating committee must conduct itself in the impartial manner prescribed by the policies and procedures adopted by its institution under 611.320.

Floor Nominations for Director Positions

Banks (if they allow floor nominations) and associations

[611.326\(c\)](#); [BL-055](#)

Each association's board must adopt policies and procedures for making and accepting floor nominations of candidates to stand for election to its board. Each Farm Credit bank's board allowing nominations from the floor must also adopt policies and procedures for making and accepting floor nominations.

Disclosures of Director-nominees

Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)

[611.330\(a\)](#)

Each Farm Credit bank and association's board must adopt policies and procedures that ensure a disclosure statement is prepared by each director-nominee. The regulation sets minimum requirements as part of the disclosure for each director-nominee.

Confidentiality and Security in Voting

Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)

[611.340\(a\)](#)

Each Farm Credit bank and association board must adopt policies and procedures to ensure the security of all records and materials related to stockholder voting, assure ballots are provided only to eligible voters, ensure voters' decisions stay confidential, and provide for a tellers committee or an independent third party to validate and tabulate ballots. There are prohibitions regarding the involvement of an institution's officers, directors, and employees in the election process.

Management/Admin

Standards of Conduct Program

All chartered institutions, including Funding Corp.

[612.2137\(c\)](#) and [\(d\)](#); [614.4900\(g\)](#)

Each System institution's board must adopt policies and procedures to implement the institution's Standards of Conduct program. The policies and procedures must address the 7 aspects of the SOC program as outlined in 612.2137(d). An institution may adapt or use its whistleblower program to address FCA Regulation 612.2137(d)(7) requiring its SOC Program include processes for the anonymous reporting of known or suspected SOC and Code of Ethics violations. The board is also required to adopt a written Code of Ethics. For ACBs and BCs, 614.4900(g) states personnel policies shall include written standards of conduct for those involved with foreign exchange activities.

Whistleblower Program

All chartered institutions, including Funding Corp.

[IM 7/9/15](#)

A written policy or other program guidance should be developed for an effective whistleblower program and include clear anti-retaliation assurances.

Referral of Known or Suspected Criminal Violations

All chartered institutions, including Funding Corp., service corporations, Farmer Mac, and the Leasing Corp (which are chartered) per [612.2300](#)

[612.2303](#)

Each institution shall establish effective policies and procedures designed to ensure compliance with this part, including, but not limited to, adequate internal controls.

Disclosure of Effective Interest Rates

"Qualified lenders" as defined in [617.7000](#) [excludes BCs, adds OFIs]

[617.7125\(c\)](#); [IM 12/17/04](#)

Each qualified lender must establish policies and procedures for EIR disclosures that clearly show the effect of the cost of borrower stock (or participation certificates) and loan origination charges on the interest rate of a loan, and for determining major assumptions used in calculating the EIR.

Distressed Loan Restructuring

"Qualified lenders" as defined in [617.7000](#) [excludes BCs, adds OFIs]

[617.7405](#) and [617.7410\(b\)](#)

Loan restructurings must be made in accordance with the policy adopted by the supervising bank board under [Section 4.14A\(g\)](#) of the Act. Associations can either formally adopt the policy of the supervising bank or adopt their own policy on distressed loan restructuring.

Internal Controls

All chartered institutions, including Funding Corp.

[618.8430](#)

The board of each Farm Credit institution must adopt an internal control policy. At a minimum, these policies and procedures must include four specified provisions including assignment of responsibility, adoption of procedures, direction for the review of assets, and the role of the audit committee.

Management/Admin

Stress Testing

All chartered institutions, including Funding Corp. and Leasing Corp if engaged in lending or leasing

[IM 9/8/23](#)

System institution boards are expected to establish written policies, and senior management is expected to implement procedures outlining the stress testing framework governance structure. Policies and procedures should address the objectives, scope, frequency, and reporting requirements of all stress testing activities. Board policy should communicate the objectives of the stress testing framework and expectations for how stress testing results are reported and used in decision-making processes (e.g., capital and business planning, risk management, and other processes). Policies should also specify a clear and central role for the board and senior management.

Notice to Shareholders

Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)

[620.15](#)

Each Farm Credit bank and association board must establish and maintain a policy identifying the categories and types of events that may result in a notice under this section. At a minimum, events covered under this provision include significant events defined in FCA Regulation [620.1\(q\)](#) and material events defined in FCA Regulation [620.1\(h\)](#). The policy must identify how the significance or materiality of an event will be determined.

Model Risk Management

All chartered institutions, including Funding Corp.

[Model Risk Management](#) Examination Manual Guidance; FCA's [FAQs about Collateral Evaluation #20](#)

The Model Risk Management procedure in the Direction & Control of Operations Examination Manual topic provides FCA expectations for policy guidance governing the use of models.

Auditor Independence

Banks, associations, Funding Corp., service corporations, and where named, Farmer Mac per [621.1](#)

[621.30](#)

Each Farm Credit institution must ensure the independence of all qualified public accountants conducting the institution's audit by establishing and maintaining policies and procedures governing the engagement of external auditors. The policies and procedures must incorporate the provisions of this Subpart and [612.2180](#) (SOC for agents) of this chapter.

Meeting of Stockholders

Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)

[611.110\(c\)](#)

Each Farm Credit bank and association using online meeting space as part of a meeting or election must have policies and procedures in place addressing how the online meeting space will be accessed and used by participants.

Management/Admin
Related Services Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC), and Service Corps, all within separate limits for each entity 618.8015(a) The board of each System bank and association providing related services must adopt a policy addressing related services. The policy must include clearly stated purposes, objectives, operating parameters for offering related services, and a requirement that each service offered be consistent with the institution's business plan and long-term strategic goals. Such policy shall also be subject to review under an appropriate internal control policy. (This also applies to service corporations per 618.8000(c)).
Authorized Insurance Services Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA) (not BC or Service Corps) 618.8040(b) Farm Credit System banks (excluding banks for cooperatives) and associations must adopt policies to govern member insurance programs. The regulation establishes 12 general guidelines (not minimum standards as in most regulations).
Director and Senior Officer Travel, Subsistence, and Other Related Expenses Banks and associations 620.6(d)(1) Institutions must have a policy addressing reimbursements for travel, subsistence, and other related expenses as it applies to directors and senior officers. A copy of the policy must be made available to shareholders of the institution and shareholders of related associations (if applicable) upon request.
Compensation of Bank Board Members FCB/ACB only 611.400(d) and (e) ; BL-051 Each bank board shall adopt a written policy regarding compensation of bank directors. At a minimum, these policies and procedures must include three specified provisions. Directors may be reimbursed for travel and related expenses in accordance with the bank's policy.
Audit Committee (Charter) Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA) and Funding Corporation (630.6) 620.30 ; 630.6(a) Each Farm Credit bank and association must establish an audit committee by adopting a charter. The audit committee must oversee the institution's system of internal controls relating to preparation of financial reports, including controls relating to the institution's compliance with applicable laws and regulations. Refer to FCA Regulation 630.6(a) for Funding Corp. System Audit Committee requirements.
Compensation Committee (Charter) Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC) and Funding Corporation (630.6) 620.31(b) ; 630.6(b) ; BL-060 ; IM 2/23/09 Each Farm Credit bank and association must establish a compensation committee by adopting a charter. Compensation committees are responsible for reviewing the compensation policies and plans for senior officers and employees. Refer to FCA Regulation 630.6(b) for Funding Corp. requirements.

Management/Admin
Internal Controls - Capital Disclosures
Banks
628.62(b) Each bank must have a formal disclosure policy approved by the board that addresses its approach for determining the disclosures it makes related to the capital requirements in Part 628. The policy must address the associated internal controls and disclosure controls and procedures.
Reports to Investors
Funding Corp.
630.4(a)(2)(i) As part of the system of internal controls for preparing disclosures for investors and the general public, the Funding Corporation must maintain policies and procedures to be carried out by the disclosure entities for preparation of the report to investors.
Accounts and Exposures
Funding Corp.
621.15(b)(5)(i) As part of the system of internal controls over the central data repository, the Funding Corporation (the reporting entity) must develop policies and procedures to ensure the information submitted in the report of accounts and exposures to FCA is complete and consistent with the information submitted to the Funding Corporation from the banks and associations under 621.15(a).
S.A.F.E. ACT
All chartered institutions, including Fund Corp., that employ mortgage originators
Regulation G, 12 CFR 1007.104 Each Farm Credit System institution that employs one or more mortgage loan originators must adopt policies and procedures designed to assure compliance with this part. At a minimum, these policies and procedures must address nine specified provisions.

Credit
Description & Exam Procedure Reference
Responsible Entities
Criteria
Financing for Processing and Marketing Operations
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA) with title I and II lending authorities
613.3010(d) Each System institution making, processing and marketing loans to legal entities under authority of this section must adopt a policy addressing eligibility requirements for such entities and ensuring the institution, at a minimum, develops and implements procedures for ensuring compliance with the eligibility provisions of 613.3010, portfolio restrictions, and reporting requirements.
Lending to Similar Entities
Banks and direct lender associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)
613.3300 ; BL-067 Each System institution that participates, or plans to participate, in similar entity loans should have policy, procedures, and internal controls appropriately identifying, evaluating, and mitigating various risks associated with this authority and ensure compliance with applicable regulations.

Credit
Loans and Chartered Territories
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA) with title I and II lending authorities 614.4070(c) A bank or association under title I and II may finance eligible borrowers outside its chartered territory, provided policies authorize this activity and there is not a significant shift in loan volume away from its territory.
Lending Policies and Underwriting Standards
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC) 614.4150 ; 614.4200(c) ; BL-037 ; BL-062 ; BL-069 ; IM 3/29/11 Under the policies of its board, each institution shall adopt written standards for prudent lending and shall issue written policies, operating procedures, and control mechanisms. At a minimum, these policies and procedures must address the specific areas defined in 614.4150. Direct lenders are authorized to amortize loans over time frames longer than their terms to maturity. This is permissible if the loan amortization schedule is consistent with its credit underwriting standards and is appropriate for 1) the type and purpose of the loan, 2) useful life of the asset financed, and 3) repayment capacity of the borrower, consistent with 614.4200(c).
Land in Transition
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, and BC where applicable) 614.4150 ; 613.3005 ; BL-058 ; Exam Bulletin 2009-2 Exam Bulletin 2009-2 notes appropriate oversight of lending on land in transition would include development of board policy guidance, supporting procedures, and corresponding control processes (including adequate monitoring and reporting), consistent with FCA Regulation 614.4150. Policy and/or procedures should define expectations for an analysis of person, property, and purpose when making a credit decision for land in transition financing. The Bulletin is designed to complement FCA Bookletter BL-058, which provides related eligibility and scope of financing criteria. Both of these documents need to be referenced for their respective purposes.
Lending Programs for Farmers' Other Credit Needs
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, and BC where applicable) Exam Bulletin 2006-2 The bulletin outlines FCA's expectation regarding financing for other credit needs. The bulletin notes examiners should expect to see a board-approved policy that communicates the board's expectations regarding the purpose, objectives, and scope of the program for financing farmers' other credit needs.
Special Credit Needs - YBS
FCB and ACB set policies, associations (ACA, FLCA, FLBA, PCA) set programs 4.19(a) ; 614.4165(b)(1) and (c) ; BL-040 REVISED ; BL-066 Each Farm Credit Bank and Agricultural Credit Bank must adopt written policies directing its affiliated direct lender association to establish a YBS program and reporting requirements. The regulation also requires the bank policy to address four specific areas. Each direct lender association must establish a YBS program that contains, at a minimum, four specified components.

Credit
Loan Servicing Requirements - General
Direct lender banks and associations (FCB, ACB, ACA, PCA, FLCA) per 619.9135 614.4170 ; IM 1/21/16 Each direct lender must adopt loan servicing policies and procedures to ensure loans will be serviced fairly and equitably for the borrower while minimizing the risk for the lender. At a minimum, these policies and procedures must include three specified provisions.
Collateral Risk Management
All chartered institutions, including Funding Corp. and Leasing Corp if engaged in lending or leasing IM 6/17/10 ; FCA's FAQs about Collateral Evaluations #5 Policies and procedures should address the identification, reporting, and controls for collateral risk in the institution's portfolio.
Loan to Value Exceptions
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA) 614.4200(b)(2) ; IM 5/11/06 Permits actions that result in exceeding the loan-to-value limitation to protect the lender's collateral position, but it must be in accordance with a policy of the institution's board of directors and documented in the loan file.
Collateral Evaluation
All chartered institutions, including Funding Corp. and Leasing Corp if engaged in lending or leasing 614.4245 ; IM 4/21/2008 ; IM 8/29/16 The board of each Farm Credit System institution engaged in lending or leasing secured by collateral must adopt collateral evaluation policies. At a minimum, these policies and procedures must include three specified provisions consistent with 614.4245(a).
Evaluation Requirements - Interstate Appraisals
All chartered institutions, including Funding Corp. and Leasing Corp if engaged in lending or leasing 614.4260(e)(2) Collateral evaluation requirements can be satisfied by using a state certified or licensed appraiser from another state, provided the Farm Credit System institution has established policies for interstate appraisals.
Purchase and Sale of Interests in Loans
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC) with title I, II and III lending authorities 614.4325(c) ; BL-027 Each Farm Credit System institution board that sells or purchase interests in loans must adopt a policy. At a minimum, these policies and procedures must include seven specified provisions.
Loan and Lease Concentration Risk Mitigation Policy
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC) 614.4362 ; IM 10/21/03 The board of each title I, II, and III System institution must adopt and ensure implementation of a written policy to effectively measure, limit, and monitor exposures to concentration risks resulting from the institution's lending and leasing activities.

Credit
Special Lending Programs
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC) with title I, II and III lending authorities 614.4525(a) , (b) , and (d) Based on different authorities given by institution type and under board policy, System institutions may enter into agreements and services provided by third parties.
Investment in Farmer's Notes to Coops & Dealers
FCB, ACB, ACA, and PCA 615.5172(a) In accordance with policies prescribed by both its board and the board of its funding bank, a PCA or ACA may invest in farmers' notes, conditional sales contracts, and other similar obligations given to cooperatives and private dealers by farmers and ranchers eligible to borrow from such associations.
Farmer Mac Securities
Banks, associations, and service corporations 615.5174(b) and (c) The board for each Farm Credit bank, association, or service corporation that purchases or holds securities issued or guaranteed by Farmer Mac must adopt and annually review policies governing its investment and address four specific areas.
Purchase and Sale of Interests in Leases
All chartered institutions, including Funding Corp. and Leasing Corp if engaged in buying/selling lease interests 616.6100(b) The board of each Farm Credit System institution that sells or buys interests in leases must adopt a policy addressing six specified elements. The regulation also provides criteria related to purchase and sale agreements, independent judgment, sales with recourse, and similar entity lease transactions
Leasing Policies, Procedures, and Underwriting Standards
All chartered institutions, including Funding Corp. and Leasing Corp if engaged in lease underwriting. 616.6300 The board of each institution engaged in lease underwriting must adopt policies that incorporate 11 elements, if applicable. Regulation also requires leasing activity to comply with the lending policies and loan underwriting requirements in 614.4150 .
Allowance & Chargeoffs
Banks, associations, Funding Corp., service corporations, and where named, Farmer Mac per 621.1 621.5(b) ; BL-049 REVISED Each institution must adopt policies and procedures for establishing and maintaining the ACL in accordance with GAAP and regulations.
Performance Categories
Banks, associations, Funding Corp., service corporations, and where named, Farmer Mac per 621.1 621.10(a)(3) Each institution must adopt policies governing performance categories and other property owned to comply with FCA definitions, rules, and standards.

Credit
International Lending - Export Transactions
ACB and BC (title III lending authority)
613.3200(c) Each bank for cooperatives and agricultural credit bank board must adopt a policy to ensure exports are financed on a priority basis. The total amount of balances outstanding on loans made under this regulation must not, at any time, exceed 50 percent of the capital for certain loan types (excludes loans with at least 95 percent guarantee by a department, agency, bureau, board, or commission of the United States or a corporation that is wholly owned directly or indirectly by the United States).
Policies Governing Extensions of Credit to Direct Lender Associations and OFIs
FCB and ACB
614.4120 The board of each Farm Credit Bank and agricultural credit bank must adopt policies and procedures governing the making of direct loans to and the discounting of loans for direct lender associations and OFIs.
Loan Approval Authority
FCB and ACB
614.4460 Each bank board must have an established policy if they delegate loan approval of certain loans, including Official or Insider loans, to bank management.
Special Loans
FCB and ACB
614.4530 Under policies approved by the bank board, PCAs and ACAs may make special types of loans on commodities covered by price support programs.
OFI Financing - Underwriting Standards
FCB and ACB
614.4540(c) Each Farm Credit bank or agricultural credit bank must establish objective policies, procedures, pricing guidelines, and loan underwriting standards for determining the creditworthiness of each OFI applicant.
OFI Financing - Recourse and Security
FCB and ACB
614.4570(c)(1) Each Farm Credit Bank and agricultural credit bank must develop policies and loan underwriting standards that establish uniform and objective requirements necessary for OFIs to obtain funding, assistance, etc.
Public Disclosure about OFIs
FCB and ACB
614.4595 Each Farm Credit Bank and agricultural credit bank must adopt policies and procedures for requesting, obtaining, and maintaining the consent of its OFIs and for disclosing this information to the public.

Credit
Financing Foreign Trade Receivables
ACB and BC (title III lending authority)
614.4700(a) and (d) Banks for cooperatives and agricultural credit banks, under board policies, may finance foreign trade receivables on behalf of eligible cooperatives. Policies should take into consideration five specific provisions.
Letters of Credit
ACB and BC (title III lending authority)
614.4720 Under board policies, a bank for cooperatives or an agricultural credit bank may issue, advise, or confirm import or export letters of credit in accordance with UCCs on behalf of its customers.
Guarantees and Contracts of Suretyship
ACB and BC (title III lending authority)
614.4800 Under board policy, a bank for cooperatives or an agricultural credit bank may lend its credit, be itself a surety to indemnify another, or otherwise become a guarantor if an eligible cooperative substantially benefits from the performance of the transaction involved.
Foreign Exchange
ACB and BC (title III lending authority)
614.4900(a) , (b) , (d) , (e) , (f) , and (h) Under board policy, before a bank for cooperatives or an agricultural credit bank may engage in any financial transaction which transports monetary instruments from within the United States to or through any place outside the United States, it must have established bank procedures to safeguard the interests of the stockholders of the bank in regard to such transactions. Refer to the regulation for additional policy expectations.
Restructuring Policy and Procedures
FCB and ACB
4.14A(g)(1) and (2) ; 617.7405 Each bank board must develop a policy for restructuring distressed loans; two primary requirements are listed.
Bankers Acceptances
ACB (title III authority) and BC
615.5550 Banks for cooperatives may rediscount with other purchasers the acceptances they have created. The bank for cooperatives' board, under established policies, may delegate this authority to management.
PCA Loan Terms
PCA
614.4040(a)(2) ; 1.10(b) Requires a PCA to have policies adopted and approved by the funding bank to make or guarantee short- and intermediate-term loans and provide other financial assistance for a term of more than 7 years, but not more than 10 years. The policy requirement set forth in this regulation applies to the maturity, while 614.4200(c) applies to amortization period for a loan.

Credit
Lending Power
ACB (title III authority) and BC
3.7(b)(2)(A)(i) and (c) Identifies the types of lending and the technical and financial assistance authorized under bank policies and procedures.
Finance
Description & Exam Procedure Reference
Responsible Entities
Criteria
Interest Rates
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA)
614.4155 ; BL-062 Loans made by each bank and direct lender association shall bear interest at a rate or rates as may be determined by the institution board. Any interest rate plan shall set loan pricing policies and objectives. The Bookletter identifies additional considerations.
Differential Interest Rate Programs
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA)
614.4160 ; BL-062 Based on policies approved by the board, differential interest rates may be established for loans based on a variety of factors that may include type, purpose, amount, quality, funding or operating costs, or similar factors or combinations of factors. The Bookletter identifies additional considerations.
Investment Management
Banks, associations, and service corporations
615.5133(a) , (b) , and (c) Requires each Farm Credit institution board to adopt policies for managing investment activities. The board, or a board committee, must review these policies annually. These policies must address the purposes and objectives of investments, risk tolerance, delegations of authority, internal controls, due diligence, and reporting requirements. See 615.5133 and BL-064 REVISED for details. If the institution holds or plans on holding investments in Farmer Mac securities, refer to the Farmer Mac Securities row in the Credit section of this document for policy requirements.
Interest Rate Risk Management by Associations and Other Farm Credit System Institutions other than Banks
Associations (ACA, PCA, FLCA, FLBA), service corporations, Funding Corp., Leasing Corp (not banks or Farmer Mac)
615.5182 ; BL-072 Any association or other Farm Credit System institution with interest rate risk that could lead to significant declines in net income or in the market value of capital must comply with the requirements of 615.5180 . The BL provides clarification and guidance to FCS institutions on effective policies and procedures.

Finance
Stock & Participation Certificate Retirement
Banks and associations
620.5(d)(1)(v) Banks and associations must have policies on stock and participation certificate retirement and restrictions on transfer.
Capital
Banks, associations, and Leasing Corp.
IM 11/10/16 The board should ensure policies and procedures are in place that comply with and implement the capital regulations. The IM identifies specific elements that should be addressed.
Retirement of Other Equities
All chartered institutions, including Funding Corp. and Leasing Corp
615.5270(d) and (e) The board of each bank, association, or service corporation that issues preferred stock must adopt a written policy covering the retirement of preferred stock. The policy must, at a minimum, address five elements, provide direction on restrictions on retirements consistent with Part 628 of FCA's regulations, and be reviewed annually.
Limitations on Association Preferred Stock
Associations (ACA, PCA, FLCA, FLBA) if offering preferred stock
615.5245(a) ; IM 9/9/03 The board of each association offering preferred stock must adopt a policy that addresses the association's conditions or limits on the amount of preferred stock any one holder, or small number of holders, may acquire.
VACP Accounts
Institutions using VACP accounts
BL-030 An institution that accepts VACPs should have policies adopted by its board providing guidance to management for VACP administration and requiring periodic reporting to the board in sufficient detail to monitor VACP practices. The BL outlines direction for administrative guidance and disclosures that should be included in policies.
Foreign Currency Transactions
Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)
IM 9/18/08 Farm Credit System institutions should adopt appropriate policies and procedures, and ensure the institution has sufficient expertise and internal controls for managing this risk. The memorandum does not apply to the statutory international and foreign exchange authorities exercised by CoBank, ACB. All other System institutions engaged in foreign currency transactions should follow this guidance.

Finance
Liquidity
Banks and associations
620.5(g)(3)(ii)(A) ; 615.5134(a) 620.5 requires banks and associations to have a liquidity policy. In addition, 615.5134 requires the board of each Farm Credit bank to adopt a written liquidity policy that, at a minimum, addresses five specified provisions. The bank liquidity policy must be compatible with the investment management policies the bank's board adopts pursuant to FCA Regulation 615.5133 of this part. At least once every year, the bank's board must review its liquidity policy, assess the sufficiency of its liquidity policy, and make any revisions it deems necessary. The board of each Farm Credit bank must ensure adequate internal controls are in place so that management complies with and carries out this liquidity policy.
Interest Rate Risk Management Program
Banks and associations
615.5180 ; 615.5182 ; BL-072 The board of each Farm Credit bank must adopt an interest rate risk management section of an asset/liability management policy that establishes interest rate risk exposure limits as well as the criteria to determine compliance with these limits. At a minimum, these policies and procedures must include eight specified provisions. At least quarterly, management must report to the board, or board committee, the level of interest rate risk exposure. Any deviations from the board's policy must be specifically identified in the report and approved by the board or board committee. Any association or other Farm Credit System institution with interest rate risk that could lead to significant declines in net income or in the market value of capital must comply with the requirements of FCA Regulation 615.5180 . The IRR program established must be commensurate with the level of IRR at the institution. The BL provides clarification and guidance on effective policies and procedures for all FCS institutions holding interest rate sensitive assets or liabilities creating an exposure to IRR.
Guidelines for Use of Derivatives
FCB, ACB, and Funding Corp.
BL-023 The BL provides guidelines and expectations in evaluating a System institution's use, planned use, and management of derivative products. The BL notes the board needs to formally approve a section addressing the use of derivative products as part of its ALM policy.
Global Debt Program
FCB and ACB
BL-036 The BL transmits a copy of FCA's approval of the System's Global Debt Program (GDP) and clarifies FCA's expectations regarding the issuance of foreign currency denominated debt. FCA's approval of the GDP establishes criteria under which FCA will consider each System bank's request to issue global debt. The BL provides expectations for each System bank to establish policies and procedures to implement this program.
Issuance of Global Debt Securities
Funding Corp
615.5502 The Funding Corporation Board of Directors shall establish appropriate criteria for the selection of global agents and shall approve each global agent.