**Board Policies & Charters**

**Institution Name:**

This workpaper identifies areas that require institution policy direction or charters, and assists examiners in tracking changes to policies. The *Regulatory Requirements for Policies & Charters* tab focuses on identifying required policies and charters, while the *Policy Changes* tab may be used as a tool to track changes to any board policy. Note that this is a risk assessment tool (rather than an examination procedure) that is completed as part of monitoring to identify regulatory requirements for policies and charters and assist in planning our examination of them. 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 – EICs 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.

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**Electronic Commerce Policies and Procedures**

- 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 7/26/02; IM 9/19/02; IM 6/04/03; IM 6/26/03; IM 7/29/03; IM 11/25/04*

Each System institution engaged in E-commerce must adopt related policies and procedures. At a minimum, these policies and procedures must address nine specified provisions, when applicable. Note that institutions may address these provisions in separate policies (e.g., provisions such as information security and business resumption/business continuity are often addressed separately).

**Director Qualifications and Training**

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

*611.210(a)(1) and (b); BL-009*

Each bank and association board must establish and maintain a policy identifying desirable director qualification. 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.
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<tr>
<td>Impartiality in the Election of Directors</td>
<td>All chartered institutions, including Funding Corp.</td>
<td><strong>Policy Name:</strong></td>
<td><strong>Examination or Followup Needed?</strong></td>
</tr>
<tr>
<td><strong>611.320(a), (b), (c), and (f); BL-043 and BL-056</strong></td>
<td>Each Farm Credit institution must adopt policies and procedures that are 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 addresses the level of support (if the bank permits this activity).</td>
<td><strong>Comments:</strong></td>
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<tr>
<td>Nominating Committees</td>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)</td>
<td><strong>Policy Name:</strong></td>
<td><strong>Examination or Followup Needed?</strong></td>
</tr>
<tr>
<td><strong>611.325; IM 11/9/2010; BL-043</strong></td>
<td>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.</td>
<td><strong>Comments:</strong></td>
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<tr>
<td>Floor Nominations for Director Positions</td>
<td>Banks (if they allow floor nominations) and associations</td>
<td><strong>Policy Name:</strong></td>
<td><strong>Examination or Followup Needed?</strong></td>
</tr>
<tr>
<td><strong>611.326(c); BL-055</strong></td>
<td>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.</td>
<td><strong>Comments:</strong></td>
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<tr>
<td>Disclosures of Director-nominees</td>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)</td>
<td><strong>Policy Name:</strong></td>
<td><strong>Examination or Followup Needed?</strong></td>
</tr>
<tr>
<td><strong>611.330(a)</strong></td>
<td>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 requires minimum items to be part of the disclosure for each director-nominee.</td>
<td><strong>Comments:</strong></td>
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<tr>
<td>Confidentiality and Security in Voting</td>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)</td>
<td><strong>Policy Name:</strong></td>
<td><strong>Examination or Followup Needed?</strong></td>
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<tr>
<td><strong>611.340(a)</strong></td>
<td>Each Farm Credit bank and association board must adopt policies and procedures to ensure the security of all records and materials</td>
<td><strong>Comments:</strong></td>
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<td>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 ballots. There are prohibitions regarding the involvement of an institution’s officers, directors, and employees in the election process.</td>
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### Standards of Conduct

All chartered institutions, including Funding Corp.

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<td>612.2165(a) and (b); 612.2160(c); 614.4900(g)</td>
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Each institution’s board must adopt policies and procedures governing the conduct of directors and employees. The regulation outlines 15 minimum elements required to be in the policy. The regulations require policies and procedures to contain requirements and prohibitions sufficient to promote public confidence; preserve the integrity and independence of the supervisory process; and prevent improper use of official property, position, or information. Also, for ACBs and BCs, 614.4900(g) states that personnel policies shall include written standards of conduct for those involved with foreign exchange activities.

### 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

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<td>612.2303</td>
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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]

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<td>617.7125(c); IM 12/17/04</td>
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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]

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<td>617.7405 and 617.7410(b)</td>
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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.
## Board Policies & Charters

### Regulatory Requirements for Policies and Charters

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<td><strong>Internal Controls</strong></td>
<td>All chartered institutions, including Funding Corp.</td>
<td>Policy Name:</td>
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<tr>
<td><strong>618.8430</strong></td>
<td>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.</td>
<td>Examination or Followup Needed?</td>
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<tr>
<td><strong>Whistleblower Program</strong></td>
<td>All chartered institutions, including Funding Corp.</td>
<td>Policy Name:</td>
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<tr>
<td><strong>IM 7/9/15</strong></td>
<td>A written policy or other program guidance should be developed for an effective whistleblower program. This should include clear anti-retaliation assurances.</td>
<td>Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>Notice to Shareholders</strong></td>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)</td>
<td>Policy Name:</td>
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<tr>
<td><strong>620.15</strong></td>
<td>Each bank and association board of directors 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 §620.1(q) and material events defined in §620.1(h). The policy must identify how the significance or materiality of an event will be determined.</td>
<td>Examination or Followup Needed?</td>
</tr>
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<td><strong>Model Risk Management</strong></td>
<td>All chartered institutions, including Funding Corp.</td>
<td>Policy Name:</td>
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<tr>
<td><strong>Model Risk Management</strong></td>
<td>The Model Risk Management procedure in the Corporate Governance Examination Manual topic provides FCA expectations for policy guidance governing the use of models.</td>
<td>Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>Auditor Independence</strong></td>
<td>Banks, associations, Funding Corp., service corporations, and where named, Farmer Mac per 621.1</td>
<td>Policy Name:</td>
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<tr>
<td><strong>621.30</strong></td>
<td>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 612.2260 (SOC for agents) of this chapter.</td>
<td>Examination or Followup Needed?</td>
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<td><strong>Meeting of Stockholders</strong></td>
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<tr>
<td><strong>611.110(c)</strong></td>
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<td>Each Farm Credit bank and association that uses 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.</td>
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<td><strong>Related Services</strong></td>
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<tr>
<td><strong>618.8015(a)</strong></td>
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<td>The board of each System bank and association providing related services must adopt a policy (this also applies to service corporations per 618.8000(c)). 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.</td>
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<td><strong>Authorized Insurance Services</strong></td>
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<td><strong>618.8040(b)</strong></td>
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<td>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).</td>
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<td><strong>Director and Senior Officer Travel, Subsistence, and Other Related Expenses</strong></td>
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<td><strong>620.6(d)(1)</strong></td>
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<tr>
<td>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.</td>
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<tr>
<td><strong>Compensation of Bank Board Members</strong></td>
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<td><strong>611.400(d) and (e); BL-051</strong></td>
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<tr>
<td>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.</td>
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<tr>
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<tr>
<td><strong>Audit Committee (Charter)</strong></td>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA) and Funding Corporation (630.6)</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>620.30; 630.6(a)</strong></td>
<td>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.</td>
<td><strong>Comments:</strong></td>
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<tr>
<td><strong>Compensation Committee (Charter)</strong></td>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC) and Funding Corporation (630.6)</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>620.31(b); 630.6(b); BL-060; IM 2/23/09</strong></td>
<td>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.</td>
<td><strong>Comments:</strong></td>
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<tr>
<td><strong>Internal Controls – Capital Disclosures</strong></td>
<td>Banks</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>628.62(b)</strong></td>
<td>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.</td>
<td><strong>Comments:</strong></td>
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<tr>
<td><strong>Reports to Investors</strong></td>
<td>Funding Corp.</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>630.4(a)<a href="i">2</a></strong></td>
<td>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.</td>
<td><strong>Comments:</strong></td>
</tr>
<tr>
<td><strong>Accounts and Exposures</strong></td>
<td>Funding Corp.</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>621.15(b)<a href="i">5</a></strong></td>
<td>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 that the information submitted in the report of accounts and exposures to FCA is complete and consistent with the information submitted to the Funding Corp. from the banks and associations under 621.15(a).</td>
<td><strong>Comments:</strong></td>
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### Regulatory Requirements for Policies and Charters

#### Credit

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<tbody>
<tr>
<td><strong>S.A.F.E. ACT</strong></td>
<td>All chartered institutions, including Fund Corp., that employ mortgage originators</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>Regulation G, 12 CFR 1007.104</strong></td>
<td>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.</td>
<td><strong>Comments:</strong></td>
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#### Financing for Processing and Marketing Operations

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<tr>
<td><strong>Examination or Followup Needed?</strong></td>
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<tr>
<td><strong>613.3010(d)</strong></td>
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<tr>
<td>Each System institution making processing and marketing loans to legal entities under authority of this section must adopt a policy that addresses eligibility requirements for such entities and ensures that the institution, at a minimum, develops and implements procedures for ensuring compliance with the eligibility provisions of 613.3010, portfolio restrictions, and reporting requirements.</td>
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#### Lending to Similar Entities

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<td><strong>Examination or Followup Needed?</strong></td>
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<tr>
<td><strong>BL-067</strong></td>
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<tr>
<td>Each System institution that participates, or that plans to participate, in similar entity loans should have policy, procedures, and internal controls that appropriately identify, evaluate, and mitigate various risks associated with this authority and ensure compliance with applicable regulations.</td>
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#### Loans and Chartered Territories

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<tr>
<td><strong>614.4070(c)</strong></td>
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<tr>
<td>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.</td>
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#### Lending Policies and Underwriting Standards

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<tr>
<td><strong>614.4150; 614.4200(c); BL-037; BL-062; BL-069; IM 3/29/11</strong></td>
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<tr>
<td>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 nine specified</td>
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# Board Policies & Charters

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### Credit

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<tr>
<td>provisions in 614.4150. Direct lenders that amortize loans over time frames that are longer than their terms to maturity must also address loan amortization in their credit underwriting standards in accordance with the specific requirements of 614.4200(c).</td>
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**Land in Transition**

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**Lending Programs for Farmers’ Other Credit Needs**

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<th>Lending Programs for Farmers’ Other Credit Needs</th>
<th>Policy Name:</th>
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**Special Credit Needs - YBS**

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**Loan Servicing Requirements - General**

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<tr>
<td>Description &amp; Exam Procedure Reference</td>
<td>Responsible Entities</td>
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<tr>
<td><strong>Collateral Risk Management</strong></td>
<td>All chartered institutions, including Funding Corp. and Leasing Corp if engaged in lending or leasing</td>
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<td><strong>IM 6/17/2010</strong></td>
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<tr>
<td></td>
<td>LPM policies and the related procedures should address the identification, reporting, and controls for collateral risk in the institution’s real estate portfolio.</td>
</tr>
<tr>
<td><strong>Loan to Value Exceptions</strong></td>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA)</td>
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<tr>
<td></td>
<td><strong>614.4200(b)(2); IM 5/11/06</strong></td>
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<td>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.</td>
</tr>
<tr>
<td><strong>Collateral Evaluation</strong></td>
<td>All chartered institutions, including Funding Corp. and Leasing Corp if engaged in lending or leasing</td>
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<td><strong>614.4245; IM 4/21/2008; IM 8/29/2016</strong></td>
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<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Evaluation Requirements - Interstate Appraisals</strong></td>
<td>All chartered institutions, including Funding Corp. and Leasing Corp if engaged in lending or leasing</td>
</tr>
<tr>
<td></td>
<td><strong>614.4260[e][2]</strong></td>
</tr>
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<td>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.</td>
</tr>
<tr>
<td><strong>Purchase and Sale of Interests in Loans</strong></td>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC) with title I, II and III lending authorities</td>
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<tr>
<td></td>
<td><strong>614.4325(c); BL-027</strong></td>
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<tr>
<td></td>
<td>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.</td>
</tr>
<tr>
<td><strong>Loan and Lease Concentration Risk Mitigation Policy</strong></td>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)</td>
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<tr>
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<td><strong>614.4362; IM 10/21/2003</strong></td>
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<td>The board of each title I, II, and III System institution must adopt</td>
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</tbody>
</table>
### Regulatory Requirements for Policies and Charters

#### Credit

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<th>FCA Risk Assessment</th>
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<tbody>
<tr>
<td>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. (Effective July 1, 2012)</td>
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**Special Lending Programs**

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<td>Policy Name:</td>
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<td>Policy Name:</td>
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### Investment in Farmer's Notes to Coops & Dealers

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### Farmer Mac Securities

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### Purchase and Sale of Interests in Leases

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### Leasing Policies, Procedures, and Underwriting Standards

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### Regulatory Requirements for Policies and Charters

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<td><strong>Policy Name:</strong></td>
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<td><strong>Exam</strong></td>
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<td><strong>Followup Needed?</strong></td>
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| **Allowance & Chargeoffs**             |                      |          |                     |
| **Policy Name:**                       |                      |          |                     |
| **Exam**                               |                      |          |                     |
| **Followup Needed?**                   |                      |          |                     |
| **Comments:**                          |                      |          |                     |

| **Performance Categories**             |                      |          |                     |
| **Policy Name:**                       |                      |          |                     |
| **Exam**                               |                      |          |                     |
| **Followup Needed?**                   |                      |          |                     |
| **Comments:**                          |                      |          |                     |

| **FCA’s Stress Testing Expectations**  |                      |          |                     |
| **Policy Name:**                       |                      |          |                     |
| **Exam**                               |                      |          |                     |
| **Followup Needed?**                   |                      |          |                     |
| **Comments:**                          |                      |          |                     |

| **International Lending - Export Transactions** |                      |          |                     |
| **Policy Name:**                             |                      |          |                     |
| **Exam**                                    |                      |          |                     |
| **Followup Needed?**                        |                      |          |                     |
| **Comments:**                               |                      |          |                     |

| **Policies Governing Extensions of Credit to Direct Lender Associations and OFIs** |                      |          |                     |
| **Policy Name:**                           |                      |          |                     |
| **Exam**                                   |                      |          |                     |
| **Followup Needed?**                       |                      |          |                     |
| **Comments:**                              |                      |          |                     |
### Regulatory Requirements for Policies and Charters

#### Credit

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<td>Loan Approval Authority</td>
<td>FCB and ACB</td>
<td></td>
<td>Examination or Followup Needed?</td>
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<td>Policy Name:</td>
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<td>Comments:</td>
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<tr>
<td>614.4460</td>
<td></td>
<td>Each bank board that delegates loan approval of Official loans and loans with potential conflicts to bank management must have an established policy.</td>
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<tr>
<td>Special Loans</td>
<td>FCB and ACB</td>
<td></td>
<td>Examination or Followup Needed?</td>
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<tr>
<td>Policy Name:</td>
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<td>Comments:</td>
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<tr>
<td>614.4530</td>
<td></td>
<td>Under policies approved by the bank board, PCAs and ACAs may make special types of loans on commodities covered by price support programs.</td>
<td></td>
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<tr>
<td>OFI Financing - Underwriting Standards</td>
<td>FCB and ACB</td>
<td></td>
<td>Examination or Followup Needed?</td>
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<tr>
<td>Policy Name:</td>
<td></td>
<td></td>
<td>Comments:</td>
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<tr>
<td>614.4540(c)</td>
<td></td>
<td>Each Farm Credit bank or agricultural bank must establish objective policies, procedures, pricing guidelines, and loan underwriting standards for determining the creditworthiness of each OFI applicant.</td>
<td></td>
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<tr>
<td>OFI Financing - Recourse and Security</td>
<td>FCB and ACB</td>
<td></td>
<td>Examination or Followup Needed?</td>
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<tr>
<td>Policy Name:</td>
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<td>Comments:</td>
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<tr>
<td>614.4570(c)(1)</td>
<td></td>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Public Disclosure about OFIs</td>
<td>FCB and ACB</td>
<td></td>
<td>Examination or Followup Needed?</td>
</tr>
<tr>
<td>Policy Name:</td>
<td></td>
<td></td>
<td>Comments:</td>
</tr>
<tr>
<td>614.4595</td>
<td></td>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Financing Foreign Trade Receivables</td>
<td>ACB and BC (title III lending authority)</td>
<td></td>
<td>Examination or Followup Needed?</td>
</tr>
<tr>
<td>Policy Name:</td>
<td></td>
<td></td>
<td>Comments:</td>
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<tr>
<td>614.4700(a), (d)</td>
<td></td>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Description &amp; Exam Procedure Reference</td>
<td>Responsible Entities</td>
<td>Criteria</td>
<td>FCA Risk Assessment</td>
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<tr>
<td><strong>Letters of Credit</strong></td>
<td>ACB and BC (title III lending authority)</td>
<td>614.4720</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>Guarantees and Contracts of Suretyship</strong></td>
<td>ACB and BC (title III lending authority)</td>
<td>614.4800</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>Foreign Exchange</strong></td>
<td>ACB and BC (title III lending authority)</td>
<td>614.4900(a), (b), (d), (e), (f), and (h)</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>Restructuring Policy and Procedures</strong></td>
<td>FCB and ACB</td>
<td>4.14A(g)(1) and (2) of the Act; 617.7405</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
<tr>
<td><strong>Bankers Acceptances</strong></td>
<td>ACB (title III authority) and BC</td>
<td>615.5550</td>
<td><strong>Policy Name:</strong> Examination or Followup Needed?</td>
</tr>
</tbody>
</table>

**Letters of Credit**

ACB and BC (title III lending authority)

**Policy Name:** Examination or Followup Needed?

**Comments:**

A bank for cooperatives or an agricultural credit bank, under board policies, 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)

**Policy Name:** Examination or Followup Needed?

**Comments:**

A bank for cooperatives or an agricultural credit bank, under board policy, 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)

**Policy Name:** Examination or Followup Needed?

**Comments:**

Before a bank for cooperatives or an agricultural credit bank, under board policy, 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

**Policy Name:** Examination or Followup Needed?

**Comments:**

Each bank board must develop a policy for restructuring distressed loans; two primary requirements are listed.

**Bankers Acceptances**

ACB (title III authority) and BC

**Policy Name:** Examination or Followup Needed?

**Comments:**

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.
### Regulatory Requirements for Policies and Charters

#### Credit

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<td>PCA Loan Terms</td>
<td>PCA</td>
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<td>Policy Name:</td>
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<tr>
<td><strong>614.4040(a)(2); 1.10(b) of the Act</strong></td>
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<td>Examination or Followup Needed?</td>
</tr>
<tr>
<td>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.</td>
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<td>Comments:</td>
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<thead>
<tr>
<th>Lending Power</th>
<th>ACB (title III authority) and BC</th>
<th></th>
<th>Policy Name:</th>
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</thead>
<tbody>
<tr>
<td><strong>Farm Credit Act, Section 3.7(b)(2)(A)(i) and (c)</strong></td>
<td>Identifies the types of lending and the technical and financial assistance that are authorized under bank policies and procedures.</td>
<td></td>
<td>Examination or Followup Needed?</td>
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<td>Comments:</td>
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#### Finance

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<tbody>
<tr>
<td>Interest Rates</td>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA)</td>
<td></td>
<td>Policy Name:</td>
</tr>
<tr>
<td><strong>614.4155; BL-062</strong></td>
<td>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.</td>
<td></td>
<td>Examination or Followup Needed?</td>
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<table>
<thead>
<tr>
<th>Differential Interest Rate Programs</th>
<th>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA)</th>
<th></th>
<th>Policy Name:</th>
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<tbody>
<tr>
<td><strong>614.4160; BL-062</strong></td>
<td>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.</td>
<td></td>
<td>Examination or Followup Needed?</td>
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<th>Investment Management</th>
<th>Banks, associations, and service corporations</th>
<th></th>
<th>Policy Name:</th>
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<tbody>
<tr>
<td><strong>615.5133(a), (b), and (c)</strong></td>
<td>Requires each institution board to adopt policies for managing investment activities; the board, or a board committee, must</td>
<td></td>
<td>Examination or Followup Needed?</td>
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Comments: |
# Board Policies & Charters

## Regulatory Requirements for Policies and Charters

### Description & Exam Procedure Reference

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<th>Responsible Entities</th>
<th>Criteria</th>
<th>FCA Risk Assessment</th>
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<tr>
<td>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 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 workpaper for policy requirements.</td>
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</tbody>
</table>

### Interest Rate Risk Management by Associations and Other Farm Credit System Institutions other than Banks

**Policy Name:**

**Examination or Followup Needed?**

**Comments:**

| 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. | |

### Stock & Participation Certificate Retirement

**Policy Name:**

**Examination or Followup Needed?**

**Comments:**

| 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

**Policy Name:**

**Examination or Followup Needed?**

**Comments:**

| Banks, associations, and Leasing Corp. | | |
| IM 11/10/2016 | 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

**Policy Name:**

**Examination or Followup Needed?**

**Comments:**

| 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 and be reviewed annually. | |

### Limitations on Association Preferred Stock

**Policy Name:**

**Examination or Followup Needed?**

**Comments:**

| Associations (ACA, PCA, FLCA, FLBA) if offering preferred stock | | |
| 615.5245(a); IM 09/9/03 | 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 that any one holder, or small number of holders, may acquire. | |
### Regulatory Requirements for Policies and Charters

#### Finance

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<td>Institutions using VACP accounts</td>
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<td><strong>BL-030</strong></td>
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<td>An institution that accepts VACPs should have policies adopted by its board that provide guidance to management for VACP administration and that require periodic reporting to the board in sufficient detail to monitor VACP practices. Elements to be included in administrative and disclosure areas are included.</td>
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<td><strong>Foreign Currency Transactions</strong></td>
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<tr>
<td>Banks and associations (FCB, ACB, ACA, PCA, FLBA, FLCA, BC)</td>
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<tr>
<td><strong>IM 09/18/2008</strong></td>
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<tr>
<td>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 that engage in foreign currency transactions should follow this guidance.</td>
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<td><strong>Liquidity</strong></td>
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<td>Banks and associations</td>
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<td><strong>620.5(g)(3)(i)(A); 615.5134(a)</strong></td>
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<tr>
<td>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 that the bank’s board adopts pursuant to § 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 that adequate internal controls are in place so that management complies with and carries out this liquidity policy.</td>
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<td><strong>Bank Interest Rate Risk Management Program</strong></td>
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<td>Banks</td>
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<tr>
<td><strong>615.5180; BL-072</strong></td>
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<td>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</td>
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</tbody>
</table>
### Regulatory Requirements for Policies and Charters

#### Finance

<table>
<thead>
<tr>
<th>Description &amp; Exam Procedure Reference</th>
<th>Responsible Entities</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>from the board’s policy must be specifically identified in the report and approved by the board or board committee. The BL provides clarification and guidance to FCS institutions on effective policies and procedures.</td>
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<table>
<thead>
<tr>
<th>Guidelines for Use of Derivatives</th>
<th>Policy Name:</th>
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<tbody>
<tr>
<td>FCB, ACB, and Funding Corp.</td>
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<tr>
<td><strong>BL-023</strong></td>
<td><strong>Exam. or Followup Needed?</strong></td>
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<td>The BL provides guidelines and expectations in evaluating a System institution’s use, planned use, and management of derivative products. The BL notes that the board needs to formally approve, as part of its ALM policy, a section addressing the use of derivative products.</td>
<td><strong>Comments:</strong></td>
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<table>
<thead>
<tr>
<th>Global Debt Program</th>
<th>Policy Name:</th>
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<tbody>
<tr>
<td>FCB and ACB</td>
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<tr>
<td><strong>BL-036</strong></td>
<td><strong>Exam. or Followup Needed?</strong></td>
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<td>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.</td>
<td><strong>Comments:</strong></td>
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<thead>
<tr>
<th>Issuance of Global Debt Securities</th>
<th>Policy Name:</th>
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<tbody>
<tr>
<td>Funding Corp</td>
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<tr>
<td><strong>615.5502</strong></td>
<td><strong>Exam. or Followup Needed?</strong></td>
</tr>
<tr>
<td>The Funding Corporation Board of Directors shall establish appropriate criteria for the selection of global agents and shall approve each global agent.</td>
<td><strong>Comments:</strong></td>
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</table>
### Board Policies & Charters

<table>
<thead>
<tr>
<th>Policy Name</th>
<th>Comments (Summary of Changes/Risk Assessment)</th>
<th>Follow-up Needed?</th>
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