



FARM CREDIT ADMINISTRATION

Examination Workpaper

Standards of Conduct (SOC) Policies and Procedures

Institution Name:

SCD:

Refer to the *SOC Policy & Procedures* procedure in the Examination Manual for additional guidance on evaluating the quality of SOC policies and procedures.

Question	Response	Comment
1. Did the board issue policies and procedures, consistent with this part, governing standards of conduct for directors and employees? 612.2165(a) ; 612.2160(c)		
2. Do the policies and procedures issued reflect due consideration of the potential adverse impact of any activities permitted under the policies? 612.2165(b)		
3. Do the policies and procedures:		
<p>a. Establish such requirements and prohibitions as are necessary to promote public confidence in the institution and the System, preserve the integrity and independence of the supervisory process, and prevent the improper use of official property, position, or information? In developing such requirements and prohibitions, the institution shall address such issues as the hiring of relatives, political activity, devotion of time to duty, the exchange of gifts and favors among directors and employees of the employing, supervising, and supervised institution, and the circumstances under which gifts may be accepted by directors and employees from outside sources, in light of the foregoing objectives. 612.2165(b)(1)</p> <p><i>Note: There are several SOC regulations dealing with director, employee, or agent activities and conduct, including prohibited activities. While 612.2165 does not specifically refer to these regulations, the language in 612.2165(b)(1) (above) establishes the general expectation that policies and procedures should address the types of situations and activities covered in these regulations (as applicable), which include:</i></p> <ul style="list-style-type: none">• 612.2140 – Directors—Prohibited Conduct• 612.2150 – Employees—Prohibited Conduct		

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<ul style="list-style-type: none"> • 612.2157 – Joint Employees • 612.2260 – Standards of Conduct for Agents • 612.2270 – Purchase of System Obligations 		
<p>b. Outline authorities and responsibilities of the SOC Official? 612.2165(b)(2)</p> <p><i>Note: FCA Regulation 612.2170 establishes criteria for the role and responsibilities of the SOC Official that should be considered within the institution’s policy and procedure guidance. Also, policies and procedures should allow the SOC Official access to director and employee loan files, and define situations that require the credit department to coordinate with the SOC Official when evaluating credit requests involving a director or employee, or where a director or employee has a relationship to the applicant. While these are not regulatory requirements, they are sound business practices and serve as important controls to ensure proactive identification and resolution of potential conflict situations.</i></p>		
<p>c. Establish criteria for business relationships and transactions not specifically prohibited by this part between employees or directors and borrowers, loan applicants, directors, or employees of the employing, supervised, or supervising institutions, or persons transacting business with such institutions, including OFIs or other lenders having an access or participation relationship? 612.2165(b)(3)</p>		
<p>d. Establish criteria under which employees may accept outside employment or compensation? 612.2165(b)(4)</p>		
<p>e. Establish conditions under which employees may receive loans from System institutions? 612.2165(b)(5)</p>		
<p>f. Establish conditions under which employees may acquire an interest in real or personal property that was mortgaged to a System institution at any time within the preceding 12 months? 612.2165(b)(6)</p>		
<p>g. Establish conditions under which employees may purchase any real or personal property of a System institution acquired by such institution for its operations? Farm Credit institutions must use open competitive bidding</p>		

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<p>whenever they sell surplus property above a stated value (as established by the board) to their employees. 612.2165(b)(7)</p>		
<p>h. Provide for a reasonable period of time for directors and employees to terminate transactions, relationships, or activities that are subject to prohibitions that arise at the time of adoption or amendment of the policies? 612.2165(b)(8)</p>		
<p>i. Require new directors and new employees involved at the time of election or hiring in transactions, relationships, and activities prohibited by these regulations or internal policies to terminate such transactions within the same time period established for existing directors or employees pursuant to paragraph (b)(8) of 612.2165, beginning with the commencement of official duties, or such shorter time period as the institution may establish? 612.2165(b)(9)</p>		
<p>j. Establish procedures providing for a director's or employee's recusal from official action on any matter in which he or she is prohibited from participating under these regulations or the institution's policies? 612.2165(b)(10)</p>		
<p>k. Establish documentation requirements demonstrating compliance with standards-of-conduct decisions and board policy? 612.2165(b)(11)</p> <p><i>Note: FCA Regulation 612.2160(e) addresses a minimum 6 year retention requirement for certain SOC-related documentation which should be considered within the institution's policy and procedure guidance.</i></p>		
<p>l. Establish reporting requirements, consistent with this part, to enable the institution to comply with 620.6 of this chapter, monitor conflicts of interest, and monitor recusal compliance? 612.2165(b)(12)</p> <p><i>Note 1: Policies and procedures should establish reporting requirements that enable the institution to obtain anything it needs to meet the disclosure requirements in FCA Regulation 620.6 that is not already available at the institution. For example, this may include items under</i></p>		

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<p>620.6(a), (e), and (f) where the institution needs additional information. FCA Regulation 612.2165(b)(12) also refers to FCA Regulation 620.5; however, that regulation no longer has applicability to this situation and would not need to be addressed in the policy and procedure guidance.</p> <p>Note 2: FCA Regulations 612.2145 and 612.2155 establish criteria for director and employee reporting that should be considered within the institution's policy and procedure guidance.</p>		
<p>m. Establish appeal procedures available to any employee to whom any required approval has been denied? 612.2165(b)(13)</p>		
<p>n. Prohibit directors and employees from purchasing or retiring any stock in advance of the release of material non-public information concerning the institution to other stockholders? 612.2165(b)(14)</p>		
<p>o. Establish when directors and employees may purchase and retire their preferred stock in the institution? 612.2165(b)(15)</p>		
<p>4. Do the policies and procedures support a culture of high ethical standards?</p> <p>Note: As outlined in FCA Regulation 612.2135, directors and employees must maintain high standards of conduct in carrying out their duties, obligations, and responsibilities. The board plays a key role in this by setting a strong and effective culture regarding appropriate and ethical conduct. This culture should be the driving force behind the institution's policies and procedures.</p>		
<p>5. For institutions that use UBEs, do policies, procedures, or other control processes sufficiently address expectations on compliance with SOC regulations?</p> <p>Note: FCA Regulation 611.1153(c)(3) requires institutions to ensure that transactions between a UBE and System institution directors, officers, employees, and agents are conducted in compliance with SOC rules. If the institution is involved in a UBE that conducts business operations and has officers, employees, or agents, then policies and procedures should typically address compliance with the SOC requirements.</p>		

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6. Are the policies and procedures reviewed and updated periodically to ensure they remain pertinent and appropriate as conditions change?		

Other Comments:

This workpaper is not intended to create any rights, substantive or procedural, enforceable at law or in any administrative proceeding. While the workpaper was carefully reviewed for applicability and accuracy, changes may occur in the wording or interpretation of laws and regulations. If a situation arises where the workpaper becomes inconsistent with applicable laws or regulations, the requirement of the laws or regulations will prevail. Examination scope may vary between institutions. On a particular examination activity, the workpaper may not pertain to all factual situations or interpretations, additional concerns or issues may be addressed that are not covered in the workpaper, and some portions of the workpaper may not be used.