

**FARM CREDIT SYSTEM INSURANCE CORPORATION  
POLICY STATEMENT CONCERNING  
INVESTMENTS  
DATED: JANUARY 30, 2020**

**Purpose:**

The purpose of this policy is to:

1. Define the uses of the Farm Credit System Insurance Corporation (Corporation) Insurance Fund (Fund);
2. State the Corporation's objective in the management of the Fund;
3. Provide management with the flexibility needed to effectively and efficiently manage the Fund; and
4. Provide a basis for evaluating Fund performance, and a basis for modification of this policy.

**Background:**

The Corporation was created by the Agricultural Credit Act of 1987 (Act) to insure the timely payment of interest and principal on insured obligations and the retirement of eligible borrower stock at par value. Corporation funds may also be used to provide financial assistance to certain Farm Credit System (System) institutions and to pay operating expenses of the Corporation. Section 5.62 of the Act states that the money of the Corporation not otherwise employed shall be invested in obligations of the United States or in obligations guaranteed as to principal and interest by the United States.

The Fund represents the assets of the Corporation less its liabilities.

**Investment Objective:**

The Corporation will implement a short duration strategy to minimize loss exposure in the event disbursements must be made to meet its statutory obligations. Secondly, the Corporation will seek to optimize the rate of return within the investment parameters set forth below. The Corporation will not trade for capital gains purposes.

**Investment Parameters:**

All available funds not needed for operations will be invested in U.S. Treasury instruments, including market-based one-day repurchase certificates, bills, notes, bonds or inflation-protected securities purchased through the U.S. Treasury's Financial Management Service. Investments will be held by the Treasury in book-entry form. The Corporation's Investment Committee shall consider the risk environment for System banks and associations, the U.S. Treasury market environment, and the potential need for Fund disbursements in determining the appropriate duration of the Fund. However, at least 40 percent of the Fund shall consist of securities with remaining maturities of two years or less at all times to ensure that loss exposure is minimized in the event disbursements must be made to meet the Corporation's statutory obligations.

Investments in securities with remaining maturities beyond two years may be made to enhance the total return on the portfolio, to facilitate match funding of long-term Corporation liabilities, or for other purposes as approved by the Investment Committee. To further reduce market risk, the maximum maturity limit of

securities purchased will be limited to a remaining maturity of ten years, and investments purchased with remaining maturities between five and ten years shall be limited to 20 percent of the Fund.

If an authorized use of the Fund results in a deviation from the limits set forth in this policy, the portfolio shall be restructured to conform to this policy as soon as practicable. However, the Corporation is not required to dispose of any existing investment to achieve restructuring.

**Control Environment, Authorities and Reporting:**

Investments within the parameters of this policy will be administered by the Chief Operating Officer of the Corporation. The Chief Operating Officer shall chair an Investment Committee consisting of the Chief Operating Officer, Chief Financial Officer, Chief Investment Officer and Chief Risk Officer. If one or more members of the Investment Committee are unavailable, the Chief Operating Officer may designate other senior Corporation staff members to serve on the Investment Committee. The Investment Committee shall meet at least once each quarter to review the performance, composition and appropriate accounting treatment of current investments as well as future investment opportunities. Investment decisions will be documented through the preparation of decision memoranda and minutes will be maintained for all Investment Committee meetings.

The Chief Operating Officer will report to the Board of Directors quarterly on the status of the Corporation's investments, including adjustments contemplated in the ensuing calendar quarter. The Corporation has adopted Accounting Standards Codification Topic 320 (ASC 320), Investments – Debt and Equity Securities. Corporation accounting and reporting of investment transactions shall be in compliance with ASC 320. To benchmark performance, the Corporation will compare the rate of return achieved to similarly invested funds, or other appropriate benchmarks, and report the results annually to the Board and the public.

The policy shall be subject to annual review by the Investment Committee at which time decisions regarding any needed modification shall be recommended to the Board of Directors. The Investment Committee shall meet at least quarterly to review the performance of the investment portfolio, current investment opportunities and to determine whether changes to the classification categories of investments based on the criteria of ASC 320 should be made. In the event of a tie vote on any issue before the Investment Committee, the Chief Operating Officer of the Corporation shall decide the issue's outcome.

Any deviations from this policy must be approved by the Board of Directors.



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*Farm Credit System Insurance Corporation*

**BOARD ACTION**

**FCSIC BOARD OF DIRECTORS ACTION ON**

**Policy Statement - Concerning Investments**

**BM-30-JAN-20-03**

**Effective Date:** January 30, 2020

**Source of Authority:** Bylaws of the Farm Credit System Insurance Corporation, Article VIII [BM-12-SEP-06-05].

**THE FCSIC BOARD HEREBY:**

- Approves the draft Policy Statement Concerning Investments, and
- Authorizes staff to make any technical or grammatical changes that may be necessary.

DATED THIS 30th DAY OF JANUARY 2020

BY ORDER OF THE BOARD

A handwritten signature in blue ink, appearing to read "Dale L. Aultman", is written over a horizontal line.

Dale L. Aultman  
Secretary to the Board