



FCSIC

Farm Credit System Insurance Corporation

BOARD ACTION

FCSIC BOARD OF DIRECTORS ACTION ON

Policy Statement on Investments

BM-9-APR-25-02

Effective Date: April 9, 2025


Source of Authority: Section 5.58 and Section 5.62, Farm Credit Act of 1971, as amended (12 U.S.C. §§ 2277a-7 and 2277a-11); Bylaws of the Farm Credit System Insurance Corporation, as revised [BM-12-SEP-06-05], Articles VIII, §3 and X, §4.

THE FCSIC BOARD HEREBY:

- Adopts the Policy Statement on Investments.
- Authorizes and directs staff to take appropriate action to implement the Policy Statement and to make any necessary technical or grammatical changes to the Policy Statement.

DATED THIS 9th DAY OF APRIL 2025

BY ORDER OF THE BOARD

ASHLEY  Digitally signed
by ASHLEY
WALDRON WALDRON

Ashley Waldron
Secretary to the Board

FARM CREDIT SYSTEM INSURANCE CORPORATION
POLICY STATEMENT ON INVESTMENTS
DATED: APRIL 9, 2025

Purpose:

The purpose of this policy is to:

1. State the Corporation's objective in the management of the investment portfolio;
2. Provide management with the appropriate flexibility needed to effectively and efficiently manage the investment portfolio; and
3. Provide a basis for evaluating investment performance.

Background:

Section 5.60 of the Farm Credit Act of 1971, as amended (12 U.S.C. § 2277a-9) requires the Corporation to expend amounts in the Farm Credit Insurance Fund to the extent necessary to insure the timely payment of interest and principal on insured obligations and the retirement of eligible borrower stock at par value. The Corporation may also use the Insurance Fund to provide financial assistance to certain Farm Credit System (System) institutions and to pay operating expenses of the Corporation. Section 5.62 of the Farm Credit Act (12 U.S.C. § 2277a-11) 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.

Investment Objective:

The Corporation will implement a short duration investment 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 Insurance Fund disbursements in determining the appropriate duration of the investment portfolio. However, at least 35 percent of the principal balance of the portfolio 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 principal balance of the portfolio.

If an authorized use of the Insurance 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 composition, performance and appropriate accounting treatment of the investment portfolio, as well as to discuss current and/or future investment opportunities. 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. 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 Chief Investment Officer will also provide an annual report on the investment portfolio to the Board of Directors.

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 and any other applicable accounting guidance that may impact the reporting or disclosure of FCSIC's investments, such as accounting rules around Current Expected Credit Loss standards.

The Investment Committee shall devise a reasonable method to benchmark performance and report the results annually to the Board and the public. The benchmark is expected to align with the Investment Committee's investment strategy, to the extent practicable.

The policy shall be subject to review by the Investment Committee every five years at which time decisions regarding any needed modification shall be recommended to the Board of Directors. Any deviations from this policy must be approved by the Board of Directors.