

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

ANTI-FRAUD POLICY

1) Purpose and Scope

This Anti-Fraud policy has been created to support the Federal Home Loan Bank's (the "Bank") commitment to protecting its revenue, property, reputation and other assets; to clearly emphasize the need for accurate financial reporting; and to establish guidelines for the investigation and handling of allegations of fraud, should they occur. This policy applies to all employees, officers, Directors and Affordable Housing Advisory Council members. It is intended to address not only instances of Insider Fraud (as defined herein) at the Bank, but includes fraud detected by our dealings with our members, including issues related to their collateral or loan origination process, AHP sponsors, and other vendor relationships. Federal Housing Finance Agency (FHFA) regulation 12 CFR Part 1233 places an affirmative duty to report suspected fraud to the regulator.

2) Definition of Fraud

The term "fraud" generally means an act of deception, bribery, forgery, extortion, theft, misappropriation, false representation, conspiracy, corruption, collusion, embezzlement, or intentional concealment or the omission of material facts. Fraud is a violation of trust that, in general, refers to an intentional act committed to secure personal or business advantage.

While fraud can cover many activities, this policy is directed primarily at financial matters that could be legally defined as fraud. There are numerous criminal and civil definitions of fraud. Listed below are additional examples of "financial fraud", which generally fall into three broad categories and may include, but are not limited to, the intentional:

- Misappropriation of Assets
 - Forgery, alteration or misappropriation of checks, drafts, promissory notes, or securities
 - Unauthorized non-business acquisition, use, or disposition of funds, inventory, furniture, fixtures, equipment, records, or other assets
 - Embezzlement
 - Theft
 - Falsifying time sheets or payroll records including, but not limited to, reporting hours not worked or a supervisor not allowing the reporting of all hours worked by hourly employees
 - Falsifying travel and entertainment expenses and/or utilizing Bank funds to pay for personal expenses
 - Fictitious reporting of receipts from suppliers or shipments to customers

- Misappropriation of Bank-owned computer hardware, software, data, or other records including intangibles (e.g. proprietary information, trade secrets, patents, etc.)
- Fraudulent Financial Reporting
 - Improper earnings management
 - Improper revenue recognition
 - Overstatement of assets
 - Understatement of liabilities
 - Misapplication of generally accepted accounting principles
- Expenditures and Liabilities for Improper Purposes
 - Bribery
 - Kickbacks

This also includes the intentional and willful making of any other material representations. Fraud is not the breach of a future promise because there is no third-party reliance. Also there can be no reliance for a change of opinion.

(b) Regarding Financial Instruments

In relation to the purchase or sale of a loan or financial instrument or any transaction involving a financial instrument, the FHFA, for purposes of our Bank reporting possible fraud to the FHFA, defines fraud as “a misstatement, misrepresentation, or omission that cannot be corrected and that was relied upon by a regulated entity to purchase or sell a loan or financial instrument.” (12 CFR 1233.2) The FHFA fraud reporting regulation also indicates that “possible fraud” means that the Bank “has a reasonable belief, based upon review of information available to the regulated entity, that fraud may be occurring or has occurred.” (12 CFR 1233.2) In addition, FHFA Regulatory Policy Guidance 2011-001 (“RPG 2011-001”) indicates that fraud in connection with a financial instrument may include (but is not limited to):

- False information contained in loan documents, such as identification, employment, income or appraisal documents;
- Theft of custodial funds or non-remitted payoff funds;
- Misrepresentation of collateral in loan or other documents;
- Theft or misrepresentation of Affordable Housing Program (AHP), Community Investment Cash Advance (CICA) and Community Investment Program (CIP) funds or advances; and
- Misrepresentation of the underwriting standards or servicing of mortgage loans (single or multi-family) sold to or guaranteed by a regulated entity (including the Bank), or multiple deliveries of the same mortgage loan.

RPG 2011-001 further notes that fraud may be identified through internal or external sources, including member institutions, third-party vendors, consumers, counterparties, and law enforcement or other government authorities.

3) Fraud Reporting Extends to Activities Internal or External to the Bank

Fraud may be internal to the Bank, but it may also be broader to include activities or omissions by any affiliated party of the Bank. This includes:

- a) any director, officer, employee, or controlling stockholder of, or agent for, the Bank;
- b) any shareholder, affiliate, consultant, or joint venture partner of the Bank, and any other person, as determined by the FHFA Director (by regulation or on a case-by-case basis) that participates in the conduct of the affairs of the Bank, provided that a member of a Federal Home Loan Bank shall not be deemed to have participated in the affairs of that Federal Home Loan Bank solely by virtue of being a shareholder of, and obtaining advances from, that Federal Home Loan Bank;
- c) any independent contractor for the Bank (including any attorney, appraiser, or accountant); and
- d) any not-for-profit corporation that receives its principal funding, on an ongoing basis, from the Bank.

For purposes of reporting fraud or possible fraud to the FHFA, “Insider Fraud” means “a fraud or possible fraud involving a board member, officer, employee, contractor, or third-party vendor” of the Bank. (RPG 2011-001)

4) Bank Products and Investments

This policy concerning fraud, monitoring and reporting applies to all Bank products, services and investments, including without limitation:

- Advances
- Collateral
- MBS Investments
- Unsecured Investments
- Mortgage Purchase Program
- Derivatives
- Affordable Housing Program
- Community Investment Program
- Correspondent Services
- Bank Administration
- Office of Finance Funding

5) Staff and Board of Director Responsibilities

It is the Bank's intent to investigate any suspected acts of Insider Fraud, misappropriation, or other similar irregularity. An objective and impartial investigation, as deemed necessary, shall be conducted regardless of the position, title, length of service, or relationship with the Bank of any party who might be or becomes involved in or becomes or is the subject of such investigation.

Any suspected act of *external* fraud, misappropriation, or other similar irregularity may be investigated by the Bank and by appropriate state and/or federal agencies.

Financial Instrument Fraud Officer

Pursuant to the bylaws of the Bank, the Board appoints General Counsel of the Bank as the Financial Instrument Fraud Officer for the Bank ("Fraud Officer"), who shall have overall responsibility for the discovery, reporting, internal controls, policies, procedures and operational training with respect to matters involving fraud or possible fraud. The Fraud Officer shall have primary responsibility for:

- i. reporting to the FHFA and the Board, including matters relating to the exposure and/or financial impact of fraud or possible fraud; and
- ii. developing and maintaining a training program designed to ensure that employees and contractors who identify fraud or possible fraud conduct their duties efficiently and effectively and in accordance with RPG 2011-001.

Pursuant to RPG 2011-001, the Fraud Officer may delegate responsibilities for discovery and review of fraud or possible fraud to managers of business units involved in financial instruments, and may delegate responsibilities for reviewing and submitting reports, including reports to the FHFA and the FHFA Office of Inspector General ("OIG"), to other Legal Department and/or Internal Audit Department professionals.

Manager Oversight of Controls and Management Reporting

Consistent with the foregoing and RPG 2011-001, each manager is responsible for instituting and maintaining a system of control to provide reasonable assurance of the prevention, detection and reporting of fraud, misappropriations and other irregularities. Each department's system of control should identify means for discovering and reporting fraud or possible fraud at each stage of the lifecycle of financial instruments relevant to such department, including the pre-purchase stage. Management personnel should be familiar with the types of improprieties which may occur within their area of responsibility and be alert to any indications of such conduct.

Note: employee and third party procedures for reporting suspected fraud is set forth in Section 6 below.

With respect to possible fraud in connection with a financial instrument, based on the initial fact-finding, subject to the oversight of the Fraud Officer and the Director of Internal Audit, they may direct a designated staff member, most knowledgeable of the facts, to prepare an initial draft of the FHFA-prescribed reporting form (as described in greater detail in Section 7 below).

Corporate Risk Fraud Assessments

The Corporate Risk Management Division shall, working with each Bank manager, perform fraud risk assessments for each department of the Bank as part of the annual risk assessment process, in accordance with RPG 2011-001 and the Bank's Risk Management Policy. The risk of fraud may increase if a control is inadequate. As Bank operations change, the fraud risk assessment should be updated, where feasible, and the adequacy of the operating controls used to prevent or detect fraud should be evaluated. These fraud risk assessments shall be subject to review and comment by the Internal Audit staff when performing their routine or special audits. At least annually, in connection with such fraud risk assessments, the Corporate Risk Management Division shall analyze incidents of fraud or possible fraud previously reported pursuant to this Policy, in order to confirm the adequacy of existing measures (or to identify and recommend the implementation of new measures) that are reasonably designed to prevent the Bank from being involved in such fraud or possible fraud in the future.

Director of Internal Audit and Fraud Officer

The Director of Internal Audit and the Fraud Officer, in consultation with the appropriate management team, have the primary responsibility for jointly overseeing the investigation of all activity as defined in this policy, consistent with the requirements of RPG 2011-001 concerning fraud involving a financial instrument. They will oversee the reporting of fraud to the FHFA and the Audit Committee.

Upon notification or discovery of a suspected Insider Fraud, or pervasive, systemic third party fraud that could adversely affect the Bank, the Director of Internal Audit will promptly notify the Chairman and Vice Chairman of the Audit Committee. The Bank will make every effort to keep the investigation confidential; however, from time to time outside experts such as legal counsel or auditors may be consulted in conjunction with the investigation. Also, the Director of Internal Audit and the Fraud Officer shall involve others from Human Resources, Legal, or other management as deemed appropriate. Subject to keeping the Audit Committee apprised, as noted below, the Director of Internal Audit and/or the Fraud Officer may agree to authorize an independent investigation or to engage consultants to assist in the investigation.

Advisory Notice

The President-CEO and the Executive Vice President-COO, CFO shall be apprised of the existence of any internal investigation, unless their potential involvement has been raised in any allegation or report leading to the investigation. They shall also be kept apprised of the status of the investigation at least quarterly and prior to the end of any reporting period for which the CEO and CFO must provide written certifications and representations to the outside auditors, the FHFA or the SEC.

Chairman of the Audit Committee and Investigations

After an initial review and a determination that the suspected fraud warrants additional investigation, the Director of Internal Audit and the Fraud Officer will notify the Audit Committee and management, as appropriate. The Chairman of the Audit Committee may determine that the Director of Internal Audit or the Fraud Officer may initiate an internal investigation. The Chairman of the Audit Committee, or the Vice Chairman if the Chairman is precluded from acting under this policy, shall determine the appropriate investigative course of action and will keep the Audit Committee so advised. The Audit Committee shall keep the Board apprised, and the Committee or the Board may elect to form a special committee to investigate or review and act upon the findings of any internal investigation. The Chairman of the Audit Committee may require an independent investigation of the alleged fraud by outside counsel or other external consultation. The Board or Audit Committee may engage its own experts or consultants as it deems appropriate.

No person who is the subject of any report will receive the notification provided for hereunder.

Upon conclusion of any internal investigation, the results will be reported to the appropriate management representatives and the entire Audit Committee. In addition, quarterly updates of any investigations or findings of fraud shall be provided to the Audit Committee.

Where there are reasonable grounds to indicate that fraud or possible fraud may have occurred, the Bank, through the Fraud Officer or his designee, shall report the incident to the appropriate legal and/or regulatory authorities (including the FHFA and the OIG as required by 12 CFR Part 1233 and RPG 2011-001, as explained in Section 7 below), and the applicable insurance carriers in order to pursue all legal remedies. Also, the Bank shall pursue every reasonable effort, including legal action if determined to be necessary and advisable, to obtain recovery of any losses from the offender. In this regard, the Bank will consider the risk of corporate libel and slander counter-claims if the primary fraud action is not pursued or is dismissed.

6) Employee and Third-Party Procedures for Reporting Suspected Fraud to the Bank

Bank staff should not, on their own initiative, investigate suspected fraud. Any employee or other person who has knowledge of an occurrence of fraudulent conduct, or has reason to suspect that a fraud has occurred (including fraud or possible fraud in connection with a financial instrument), shall immediately notify his or her supervisor or, if not an employee, the Director of Internal Audit or an Ethics Officer, as well as the Fraud Officer, of the Bank. The Ethics Officers are identified on the Staff Policy Portal and on the Bank's public website under "Contacts". Employees may bypass their supervisor if they have reason to believe that the supervisor might be involved. Any supervisor or other manager who is notified by an employee of suspected fraud or who has reason to believe that fraud has occurred shall notify the Director of Internal Audit or an Ethics Officer, as well as the Fraud Officer. Further, reports may be provided to senior officers or Directors, but should not be discussed with or reported to non-supervisory level employees at any time. All reporting may be done confidentially through EthicsPoint at: 1-866-850-1408 or www.ethicspoint.com.

7) Additional Policies and Procedures for Reporting Suspected Fraud to the FHFA (when applicable)

In accordance with 12 CFR §1233.3 and RPG 2011-001, the Bank shall, under the direction of the Fraud Officer, submit to the Director of FHFA or his/her designee and the OIG a timely written report upon discovery by the Bank that it has purchased or sold a fraudulent loan or financial instrument, or suspects a possible fraud relating to the purchase or sale of any loan or financial instrument.¹ All reports submitted pursuant to this Section 7 shall be reviewed for consistency and accuracy.

Specifically, pursuant to RPG 2011-001, the Bank shall submit the following, as applicable:

(a) Immediate Notification.

The Fraud Officer or his designee, working with the Director of Internal Audit and the appropriate business unit manager(s), shall make reasonable efforts to gather all available information regarding the fraud or possible fraud. The Bank has the responsibility to undertake Immediate Notification to the FHFA and the OIG when a fraud or possible fraud involves (i) a significant fiscal, financial or reputational impact or (ii) insider fraud. Immediate Notification to the FHFA and OIG shall be made using the FHFA "Immediate Notification Fraud Reporting Form" ("INFR"), a copy of which is attached to this policy as Appendix A, or using such other method(s) or form(s) as the FHFA may direct. The Bank shall also submit a FIFR in connection with any matter requiring Immediate Notification. In addition to submitting an INFR and an FIFR to the FHFA and the OIG, the Bank shall report any fraud or possible fraud constituting an Immediate Notification matter to the

¹ For purposes of reporting fraud or possible fraud to the FHFA under 12 CFR § 1233.3 and RPG 2011-001, and as used in this policy, the term "Discovery Date" means the date on which the Fraud Officer determines that fraud or possible fraud has likely occurred and must be reported to the FHFA.

Director or his designee by telephone or electronic communication within one calendar day of the Discovery Date. The Fraud Officer shall promptly notify the Chair of the Audit Committee, the Director of Internal Audit, the Chief Risk Officer and the EVP-COO-Business Operations of any instance of fraud or possible fraud that requires an Immediate Notification.

(b) Financial Instrument Fraud Reporting (“FIFR”) form.

As described in subparagraph (a) above, Immediate Notification shall be provided to the FHFA and the OIG on an INFR and an FIFR and/or such other form(s) as the FHFA may direct. Within 30 calendar days of the Discovery Date, the Bank will submit a FIFR to the Director’s designee and the OIG for fraud or possible fraud that is part of a pattern (or is reported as an Immediate Notification matter pursuant to subparagraph (a) above). The format, reporting method(s) and content of the FIFR shall comply with 12 CFR Part 1233, RPG 2011-001 and such other regulation, guidance, directive or instruction as the FHFA may issue from time to time. A sample of the current format of the FIFR form, as prescribed by FHFA, is attached as Appendix B (which may be updated by the FHFA from time to time). The FIFR form is a password-protected FHFA-prescribed spreadsheet. In the preparation of FIFRs, the Bank should refer to FinCEN publication “Preparation Guidelines for Suspicious Activity Report Form” issued July 2003 (revised 11/28/2006), as amended, supplemented or superseded. In accordance with RPG 2011-001, the Bank will file a supplemental FIFR as appropriate to correct an error or omission in a previously-filed FIFR or to report a material change in information from that previously reported.

(c) Quarterly Reporting.

Within 10 calendar days after the end of each calendar quarter, the Bank will file a FIFR Quarterly Status Report and Quarterly Status Submission of Identifiers with the FHFA. Such quarterly report shall, among other things, report whether each previously-filed FIFR is closed or remains under review. The format(s), reporting method(s) and content of the Quarterly Status Report and Quarterly Status Submission of Identifiers shall comply with 12 CFR Part 1233, RPG 2011-001 and such other regulation, guidance, directive or instruction as the FHFA may issue from time to time.

(d) Annual Conformance Report.

Following the end of each calendar year, the Fraud Officer, with the assistance of the Bank’s Legal, Internal Audit and Corporate Risk Management departments, will review (i) the requirements of 12 CFR Part 1233 and (ii) whether the Bank’s practices are consistent with RPG 2011-001. The Fraud Officer will then submit to the Board an Annual Conformance Report describing the results of such review, including: a summary of the Bank’s policies, procedures, internal controls, and training for financial instrument fraud risk that have been developed, modified, or enhanced; other actions taken by the Bank to comply with RPG 2011-001; and the status of the Bank’s efforts to remediate findings (if any) identified as part

of FHFA examinations as “matters requiring attention” relating to the discovery and reporting of fraud or possible fraud. Upon Board approval of the Annual Conformance Report (which approval shall be documented in meeting minutes), the Board shall direct the Bank to submit the Annual Conformance Report to the Director’s designee. Such submission shall occur on or before March 31.

In addition to the foregoing mandatory reports, the Bank may, in its discretion and under the direction of the Fraud Officer, file a FIFR for any suspicious transaction that the Fraud Officer believes is relevant to the possible violation of any law or regulation, but whose reporting is not otherwise required by RPG 2011-001. The Fraud Officer shall consult with the Director of Internal Audit in determining whether to make a discretionary FIFR filing.

Retention of Records

All records associated with submissions and notifications to the FHFA and OIG shall be maintained by the Bank’s Fraud Officer and Director of Internal Audit for five years from the date of submission or notification, as provided for in 12 CFR 1233.3(c). The number of reports filed will be communicated to the Audit Committee annually.

Law Enforcement Communications Log

If the Bank communicates with any law enforcement agency in connection with a FIFR submitted by the Bank to the FHFA and OIG, the Bank shall maintain a log of all such law enforcement communications. This communications log shall include: the date of communication(s); the name, department and location of the law enforcement official; the applicable FIFR number (to be assigned by the Bank in connection with the FIFR filing); and the information sought by law enforcement. This communication log will be maintained by the Fraud Officer or his designee, and shall be produced for the FHFA and/or OIG upon request.

8) Security of Evidence

Once a suspected fraud is reported, immediate action to prevent the theft, alteration, or destruction of relevant records needs to occur. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual(s) suspected of committing the fraud from having access to the records. The records must be adequately secured until the Director of Internal Audit and General Counsel conclude that they may be released.

9) Confidentiality

All participants in a fraud investigation shall keep the details and results of the investigation confidential. However, as noted above, from time to time other members of management or outside consultants may be consulted in conjunction with the investigation.

10) Personnel Actions

During the investigation, and depending on the circumstances, the Bank may suspend employees who are the subject of the investigation with pay. If a suspicion of fraud by an employee is substantiated by the investigation, management may take appropriate disciplinary action, up to and including termination, in consultation with legal counsel, in addition to pursuing any legal remedies which may be available. If a suspicion of fraud by a Director or Advisory Council member is substantiated, management shall take all steps necessary to remove such person from his or her position, in addition to all legal remedies that may be available.

11) Whistle-Blower Protection

No employee or person acting on behalf of the Bank in attempting to comply with this policy shall:

- Be dismissed or threatened with dismissal;
- Be disciplined or suspended or threatened with discipline or suspension;
- Be penalized or have any other retribution imposed; or
- Be intimidated or coerced;

based upon the fact that the employee or other person has reported an incident or participated in an investigation in accordance with the requirements of this policy. Violation of this section of the policy shall result in disciplinary action, up to and including dismissal.

If an allegation is made in good faith, but is not confirmed by the investigation, no action will be taken against the originator. However, malicious allegations will result in disciplinary action against such individual.

This policy is subject to the Bank's Whistle-blower Policy. However, this policy shall control in the event of any conflicts with the provisions of the Whistle-blower Policy.

12) Conditions for Continuing Business

Pursuant to RPG 2011-001, if management of the Bank determines that it is in the best interests of the Bank to continue to engage in business with an individual or entity suspected by the Bank of fraud or possible fraud against the Bank, management shall provide a memorandum, signed by two Bank officers each holding the title of Senior Vice President or

higher, to the Fraud Officer, the Director of Internal Audit and the Chair of the Audit Committee, specifying the conditions under which and the extent to which the Bank may continue to engage in business with such individual or entity. These memoranda shall be retained in the records of the Fraud Officer and the Internal Audit Division.

13) Anti-Fraud Policy Training

In conjunction with the Annual Code of Conduct Training for all employees, the Anti-Fraud Policy should be reviewed annually. All employees should be required to attest that they understand and are in compliance with this Anti-Fraud Policy.

14) Anti-Fraud Policy Review

This policy shall be reviewed annually by the Bank's Audit Committee. In addition, the Bank's Board of Directors should ratify this policy annually based upon recommendation of the Audit Committee.

15) Effective Date

This Policy shall be effective on November 18, 2011, and on that date will supersede the policy approved by the Board on May 19, 2011.