



# Anti-Fraud Policy

March 24, 2017

## Policy Information

Document Title:	<b>Anti-Fraud Policy</b>
Document Owner:	<b>Financial Instruments Fraud Officer and AML Officer</b>
Bank-Level Approver:	<b>Legal &amp; Compliance</b>
Board-Level Approver:	<b>Board of Directors (Audit Committee)</b>
Review Frequency:	<b>Annually</b>
Initial Effective Date:	<b>Not applicable</b>
Last Review Date:	<b>March 18, 2016</b>
Next Review Date:	<b>March 2018</b>



**CONTENTS**

**1. INTRODUCTION..... 3**

1.1. Scope.....3

1.2. Related Documents.....3

1.3. Roles/Responsibilities .....3

**2. POLICY ..... 3**

2.1. Definitions .....3

2.2. AML Officer and FIFO .....4

2.3. Monitoring, Reporting, and Investigation .....4

2.4. Confidentiality and Recordkeeping .....5

2.5. Training Programs .....5

2.6. Finance Agency Financial Instrument Fraud Reporting .....6

2.7. Suspended Counterparty Program .....6

2.8. Whistleblower Protection .....6

**3. AMENDMENTS ..... 7**

**4. APPROVAL AND REVIEW CYCLE ..... 7**

**5. RELEVANT AUTHORITIES AND REFERENCES..... 7**

**6. DOCUMENT CHANGE RECORD ..... 7**



1. INTRODUCTION

The Federal Home Loan Bank of Indianapolis (Bank) is committed to a comprehensive anti-money laundering (AML) program for all of its business lines. It is the policy of the Bank to comply fully and completely with all applicable governmental requirements that have been designed to prohibit and prevent both actual and potential money laundering, as well as other activities that facilitate money laundering, and the funding of terrorists and/or other criminal activity.

This Anti-Fraud Policy (Policy) is part of the Bank’s Bank Secrecy Act (BSA), Anti-Money Laundering (AML) and Anti-Fraud Programs. This Policy will be reviewed at least annually and updated from time to time as necessary in response to changes in applicable law and changes in the Bank’s operations.

In case of a conflict among the requirements of this Policy, the Procedures, applicable law, or regulation (including, without limitation, applicable guidance, advisory bulletin, Q&A, or other written advice of the Federal Housing Finance Agency), the following will govern in order of priority: (1) applicable law, (2) applicable regulation (as defined above), and (3) this Policy.

1.1. SCOPE

This Policy applies to the following subject matter: All Bank products, services, and investments, including, without limitation, Advances, collateral, MBS investments, unsecured investments, Acquired Member Asset programs, derivatives, Community Investment Program, Correspondent Services, Bank administration and Office of Finance funding.

This Policy applies to the following parties: the Bank; all Bank employees, officers, and directors; and Covered Persons. “Covered Persons” are defined as each of the following: members of the Bank’s Affordable Housing Advisory Council (AHAC) members and housing associates of the Bank (Members); the Bank’s vendors and contractors; the Bank’s counterparties; the Bank’s service providers; and the Bank’s consultants.

Bank officers, employees, and directors comply with this Policy by complying with the AML Policy.

1.2. RELATED DOCUMENTS

Code of Conduct (and attachments)

Anti-Money Laundering Policy (AML Policy)

1.3. ROLES/RESPONSIBILITIES

Compliance, BSA/AML Officer	Responsible for all required reporting including SAR filings, OFAC compliance, Suspended Counterparty Reporting, as well as training and assessments of compliance.
-----------------------------	---

2. POLICY

2.1. DEFINITIONS

2.1.1. Money Laundering. “Money laundering” is generally defined as engaging in acts designed to conceal or disguise the nature, control, or true origin of criminally derived proceeds so



that those proceeds appear to have been derived from legitimate activities or origins or otherwise constitute legitimate assets.

- 2.1.2. Terrorist Financing. Unlike money laundering, terrorist financing is typically motivated by ideological, rather than profit-seeking concerns, and often may not involve the proceeds of criminal conduct. Money laundering is frequently an important component of terrorist financing, and the methods used are often similar or identical to those used by money launderers. Large sums are not necessarily involved, and the original funds may well be legitimate rather than illegally obtained. One goal of terrorist financing is to establish flexible and mobile sources of funding for the purchase of products and services that will be used to further or commit terrorist acts.
- 2.1.3. Suspicious Activity. “Suspicious Activity” can be defined as any observed or detected behavior or activity that could indicate financial crime or another violation of law. FHLBI may use a number of methods to identify potentially suspicious activity, including but not limited to activity identified by employees during day-to-day operations, law enforcement inquiries or requests, advisories issued by regulatory or law enforcement agencies, transaction and surveillance monitoring system output, or any combination of these.
- 2.1.4. Fraud. “Fraud” means a deliberate, wrongful and/or criminal deception intended to result in unfair and/or unlawful financial or personal gain.

## 2.2. AML OFFICER AND FIFO

- 2.2.1. AML Officer. The Bank has designated an AML Officer to comply with the BSA, the USA PATRIOT Act, and the Anti-Money Laundering Program and Suspicious Activity Report Filing Requirements for Housing Government Sponsored Enterprises (GSEs) adopted by Financial Crimes Enforcement Network (FinCEN). The AML Officer’s duties and responsibilities are described in the *AML Policy*.
- 2.2.2. Financial Instrument Fraud Officer. The Bank has designated a Financial Instrument Fraud Officer (FIFO) under the Federal Housing Finance Agency (Finance Agency) fraud reporting regulations. The FIFO’s duties and responsibilities are described in the *AML Policy*.
- 2.2.3. In addition to other duties set forth in the *AML Policy*, the AML Officer and FIFO will:
  - 2.2.3.1. Serve as liaison with law enforcement and regulatory agencies regarding matters of compliance/examinations/reports pertaining to anti-money laundering and related requirements.
  - 2.2.3.2. Receive reports of any fraud, money laundering, or other covered activity hereunder.

## 2.3. MONITORING, REPORTING, AND INVESTIGATION

- 2.3.1. Monitoring for Money Laundering, Terrorist Financing, Suspicious Activities, and Fraud. Covered Persons will monitor for money laundering, terrorist financing, suspicious activities, and fraud. Money laundering, terrorist financing, suspicious activities, and fraud can arise at any time.



- 2.3.2. Reporting Duties of All Covered Persons. All Covered Persons will immediately report any known or suspected money laundering, suspicious activities, possible fraud, terrorist financing, Red Flags, and violations of this Policy. All such reports will be treated as confidential to the extent possible, and the Bank's *Whistleblower Policy* will apply.
- 2.3.3. To Whom Reports Will be Made. Reports should be made to the AML Officer or one of the designated Ethics Officers.<sup>1</sup>
- 2.3.3.1. Reports can be made by contacting FHLBI's AML Officer directly at 317.465.0353 or [AML\\_Officer@fhlbi.com](mailto:AML_Officer@fhlbi.com).
- 2.3.3.2. All reporting may also be done confidentially through EthicsPoint at 1-866-850-1408 or [www.ethicspoint.com](http://www.ethicspoint.com).
- 2.3.3.3. If a person making a report has reason to suspect that the recipient of the report might be involved in the activity identified in the report, they should report to a different person designated above.
- 2.3.4. Investigations. Each report will be investigated in the manner described in the *AML Policy*.
- 2.3.5. Regulatory Filings. The Bank will prepare and submit one or more regulatory filings to the extent required by the *AML Policy*.

## 2.4. CONFIDENTIALITY AND RECORDKEEPING

- 2.4.1. Report Confidentiality. The Bank will maintain as **strictly confidential** any report required by this Policy, and any such report's supporting documentation. **NO Covered Person will notify any person involved in the transaction that the transaction has been reported or that the transaction is under investigation.** In general, disclosure of the fact that a SAR filing is contemplated or has been made is a violation of federal law. Any Covered Person who is subpoenaed or required to disclose a SAR or other report required by the Finance Agency, or the information contained in such report, will report the existence of that subpoena or requirement immediately to the AML Officer, and prior to disclosure of the SAR or other report required by the Finance Agency, or the information contained in such report. No Covered Person may directly or indirectly disclose to the person who is the subject of the subpoena its existence, its contents, or the information the Bank used to respond to it. The Bank will evaluate any subpoena or requirement under the *AML Policy*.
- 2.4.2. Recordkeeping and Holding Period. The *AML Policy* will govern recordkeeping and retention under this Policy.

## 2.5. TRAINING PROGRAMS

- 2.5.1. Training Required. The AML Officer will develop, coordinate, and/or provide ongoing training to AHAC Members and designated contractors, if any. Training may be in such format as the AML Officer may designate, as necessary to effectuate full compliance with

---

<sup>1</sup> The Ethics Officers are identified on the Bank's Intranet and Public website.



AML laws and regulations and Bank policy. Training will otherwise comply with the *AML Policy*.

## 2.6. FINANCE AGENCY FINANCIAL INSTRUMENT FRAUD REPORTING

It is the Bank's policy to comply with Part 1233 of the Finance Agency's regulations, *Reporting of Fraudulent Financial Instruments*, and the Advisory Bulletin. The Bank will also in a timely manner prepare and file all reports contemplated by Part 1233 and the Advisory Bulletin. Applicable requirements will be set forth in the Procedures.

## 2.7. SUSPENDED COUNTERPARTY PROGRAM

2.7.1. Compliance Required. It is the Bank's policy to comply with the Finance Agency's suspended counterparty program (SCP Program) requirements. As used in this section, "Counterparty" means an individual or entity with which the Bank has, or in the past three (3) years has had, a contractual, financial, or business relationship. If a Covered Person becomes aware that a Counterparty or an affiliate of a Counterparty either:

2.7.1.1. has, within the past three (3) years, been criminally convicted of fraud, embezzlement, theft, conversion, forgery, bribery, perjury, making false statements or claims, tax evasion, obstruction of justice, or any other similar offense, in each case in connection with a mortgage, mortgage business, mortgage securities or other lending product; or

2.7.1.2. was, within the past three (3) years, suspended or debarred by any Federal agency for conduct that would constitute an offense described above;

then the Covered Person must promptly report the matter to the AML Officer. The AML Officer will take such actions as described in the *AML Policy*.

2.7.2. Suspension Orders. The Bank will comply with any valid orders from the Finance Agency directing the Bank to cease conducting business with individuals and entities suspended by the Finance Agency pursuant to the SCP Program, to the extent mandated by SCP Program requirements.

## 2.8. WHISTLEBLOWER PROTECTION

This Policy is subject to the Bank's *Whistleblower Policy*; however, this Policy will control in the event of any conflicts with the provisions of the *Whistleblower Policy*. No Covered Person attempting to comply with this Policy will:

2.8.1. Be dismissed or threatened with dismissal;

2.8.2. Be disciplined or suspended or threatened with discipline or suspension;

2.8.3. Be penalized or have any other retribution imposed; or

2.8.4. Be intimidated or coerced

based on the fact that the Covered Person has reported an incident or participated in an investigation in accordance with the requirements of this Policy.



### 3. AMENDMENTS

The Board may amend this Policy at any time.

### 4. APPROVAL AND REVIEW CYCLE

This Policy is effective as of March 24, 2017. The Audit Committee will review this Policy, recommend any changes, and recommend Board approval at least once per calendar year.

### 5. RELEVANT AUTHORITIES AND REFERENCES

- 12 C.F.R. Part 1233, *Reporting of Fraudulent Financial Instruments*
- 12 C.F.R. Part 1236, *Prudential Management and Operations Standards*

### 6. DOCUMENT CHANGE RECORD

Version	Date	Description	Reviewed by
1.0	3/18/2016	Transferred Policy into Bank policy framework. No content changes required.	Legal/Compliance
1.1	3/24/2017	Reviewed for annual maintenance; separated from AML Policy. Preparation for re-adoption by the Board.	Policy Management Legal/Compliance Audit Committee Board of Directors

O:\sharing\Executive\_Legal\POLICIES\Code of Conduct with Exhibits\2017 C of C revisions\Exhibit C\_Anti-Fraud Policy March 2017 FINAL BOD Approved.docx