



# Anti-Fraud Policy

September 16, 2022

Policy Information

Document Title:	<b>Anti-Fraud Policy</b>
Document Owner:	<b>Chief Compliance Officer</b>
Bank-Level Approver:	<b>Risk Committee</b>
Chief Risk Officer Non-Objection Required:	<b>No</b>
Board-Level Approver:	<b>Board of Directors (Audit Committee)</b>
Review Frequency:	<b>At Least Once Per Calendar Year</b>
Initial Effective Date:	<b>Not applicable</b>
Previous Review Date:	<b>March 19, 2021</b>
Next Review Date:	<b>2023</b>



---

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

1.1. Scope ..... 3

1.2. Related Documents ..... 3

1.3. Roles/Responsibilities ..... 3

1.4. Exceptions ..... 4

1.5. Non-Compliance ..... 5

**2. POLICY ..... 5**

2.1. Definitions ..... 5

2.1.1. Money Laundering ..... 5

2.1.2. Terrorist Financing ..... 5

2.1.3. Suspicious Activity ..... 5

2.1.4. Fraud ..... 5

2.1.5. Employee Misconduct ..... 6

2.1.6. Discovery Date ..... 6

2.2. Financial Instruments Fraud Officer AND AML Officer ..... 7

2.2.1. Financial Instruments Fraud Officer ..... 7

2.2.2. AML Officer ..... 7

2.2.3. Other Duties ..... 7

2.3. Monitoring, Reporting, and Investigation ..... 7

2.3.1. Monitoring for Money Laundering, Terrorist Financing, Suspicious Activities, and Fraud ..... 7

2.3.2. Reporting Duties of All Covered Persons ..... 7

2.3.3. To Whom Reports Will Be Made ..... 8

2.3.4. Investigations ..... 8

2.3.5. Regulatory Filings ..... 8

2.4. Confidentiality and Recordkeeping ..... 8

2.4.1. Report Confidentiality ..... 8

2.4.2. Recordkeeping and Holding Period ..... 8

2.5. Training Programs ..... 8

2.6. Whistleblower Protection ..... 9

2.7. Delegation of Duties ..... 9

**3. AMENDMENTS ..... 9**

**4. APPROVAL AND REVIEW CYCLE ..... 9**

**5. RELEVANT AUTHORITIES AND REFERENCES ..... 9**

**6. DOCUMENT CHANGE RECORD ..... 9**



## 1. INTRODUCTION

The Federal Home Loan Bank of Indianapolis (the “**Bank**”) is committed to the establishment of a comprehensive Anti-Fraud program for all of its business lines. This Policy is established pursuant to the regulations of the Federal Housing Finance Agency (“**Finance Agency**”)<sup>1</sup>, and the Finance Agency’s Advisory Bulletin 2015-01 on FHLBank Fraud Reporting (the “**Advisory Bulletin**”), 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 fraud and financial crimes, such as money laundering, terrorist financing, and/or other criminal activity.

This *Anti-Fraud Policy* (“**Policy**”) is part of the Bank’s overall Anti-Fraud Program, which includes the Bank Secrecy Act (“**BSA**”) and Anti-Money Laundering (“**AML**”) Program, and the Office of Foreign Asset Control (“**OFAC**”) Program. This Policy will be reviewed at least annually and updated as necessary in response to changes in applicable law and changes in the Bank’s operations. The Bank’s AML Officer and/or Financial Instruments Fraud Officer (“**FIFO**”) may adopt procedures to implement this Policy.

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

### 1.1. SCOPE

This Policy applies to all Bank products, services, operations, and investments, including, without limitation:

- Advances
- Collateral
- MBS investments
- Unsecured investments
- Acquired Member Asset programs
- Derivatives
- Community Investment Programs
- Correspondent Services
- Human Resources
- Information Technology
- Bank administration
- Office of Finance funding

This Policy applies to the following, referred to as “**Covered Persons:**”

- The Bank;
- All Bank Employees<sup>2</sup> and directors;
- Members of the Bank’s Affordable Housing Advisory Council;
- The Bank’s vendors and contractors;
- The Bank’s service providers; and
- The Bank’s consultants.

### 1.2. RELATED DOCUMENTS

<sup>1</sup> 12 C.F.R. Part 1233.

<sup>2</sup> As such term is defined in the Code of Conduct and Conflict of Interest Policy for Employees and Contractors.



- Anti-Money Laundering (AML) Policy
- Code of Conduct and Conflict of Interest Policy for Directors
- Code of Conduct and Conflict of Interest Policy for Employees and Contractors
- Code of Conduct and Conflict of Interest Policy for Affordable Housing Advisory Council Members
- Disclosure Policy
- Policy Prohibiting Insider Trading of Securities
- Whistleblower Policy
- Code of Ethics for Senior Financial Officers (“**Code of Ethics**”)

1.3. ROLES/RESPONSIBILITIES

Department/Officer/Working Group/Committee/Other	Brief Summary of Responsibilities
Board of Directors (“Board”)	Reviews and approves this Policy. Responsible for the initial and subsequent annual appointment(s) of the Bank’s FIFO and AML Officer.
Financial Instruments Fraud Officer	Responsible for overseeing investigations, in consultation with the Chief Internal Audit Officer (the “ <b>CIAO</b> ”), where applicable, reporting and operational training in connection with fraud or <b>possible fraud</b> <sup>3</sup> involving the purchase or sale of loans or other financial instruments. <sup>4</sup> Responsible for overseeing filing of reports identified in AB-2015-01 to the Finance Agency.
AML Officer	Responsible for overseeing and investigating other fraud activity (i.e., activity that does not involve the purchase or sale of loans or other financial instruments), including Suspicious Activity Report (“ <b>SAR</b> ”) compliance and Suspended Counterparty Reporting compliance. Serves as backup to FIFO in the instance the AML Officer is not also designated as the FIFO.
Internal Audit	At the direction of the Audit Committee or in consultation with the General Counsel and the FIFO or AML Officer, performs or assists in investigations of fraud or possible fraud under this Policy. Reports the findings and conclusions to the Bank’s senior management and the Audit Committee.

1.4. EXCEPTIONS

No exceptions to this Policy are allowed.

<sup>3</sup> Possible fraud is defined in 12 C.F.R. Part 1233 and means “that a regulated entity has a reasonable belief, based upon a review of information available to the regulated entity, that fraud may be occurring or has occurred.”

<sup>4</sup> These terms are defined in 12 C.F.R. § 1233.2.



## 1.5. NON-COMPLIANCE

Compliance with this Policy is a Covered Person’s responsibility under the Bank’s Code of Ethics and its Code of Conduct and Conflict of Interest Policy applicable to the Covered Person (individually, the “**Applicable Code of Conduct**”). Non-compliance with this Policy is subject to the corrective action provisions of the Applicable Code of Conduct. The provisions of this Policy are subject to the reporting provisions of the Applicable Code of Conduct.

## 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 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 or sale of products and services that will be used to further or commit terrorist acts.

#### 2.1.3. SUSPICIOUS ACTIVITY

“**Suspicious Activity**” includes any observed or detected behavior or activity that could indicate financial crime or another violation of law. The Bank 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. 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 the following broad categories and may include, but are not limited to, the intentional:

- Misappropriation of assets, including, without limitation, 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, including, without limitation, improper earnings management, improper revenue recognition; overstatement of assets, understatement of liabilities, and misapplication of generally accepted accounting principles;
- Expenditures and liabilities for improper purposes, including, without limitation, bribery and kickbacks;
- Intentional and willful making of any other material representations; and
- Misstatement, misrepresentation, or omission that cannot be corrected and that was relied upon by the bank to purchase or sell a loan or financial instrument.<sup>5</sup>

---

#### 2.1.5. EMPLOYEE MISCONDUCT

Employee misconduct is any deliberate and willful or grossly negligent violation of a Bank policy or established procedure, where the violation has the potential to harm the Bank, whether as a whole or within a specific department, the potential to harm other employees, or the potential to harm the reputation of the Bank. Employee misconduct also includes the examples of misconduct identified in the definition of “**Insider Fraud**”<sup>6</sup> in AB-2015-01. Misconduct can also be a repeated violation of a Bank policy, despite prior warnings or other explicit instructions.

“**Harm**” does not have to include any monetary value and includes, but is not limited to:

- Misuse of position;
- The attempt to influence another employee to participate in questionable activity, which may result in a violation of Bank policies, including the Code of Ethics and Applicable Code of Conduct;
- Knowingly making a false statement to senior management, the Board, or any of its committees; and
- Falsifying reports or data used by the Bank in any aspect of its business, including reports presented to Bank working groups or committees, or the Board or any of its committees.

---

#### 2.1.6. DISCOVERY DATE

Discovery date means the date at which the Bank becomes aware of a fraud or possible fraudulent activity, including employee misconduct.

---

<sup>5</sup> This bullet replicates the definition of “fraud” in 12 C.F.R. § 1233.2.

<sup>6</sup> “Insider fraud” is defined in the Advisory Bulletin.



## 2.2. FINANCIAL INSTRUMENTS FRAUD OFFICER AND AML OFFICER

### 2.2.1. FINANCIAL INSTRUMENTS FRAUD OFFICER

The Board has designated a FIFO under the Finance Agency fraud reporting regulations and the Advisory Bulletin. The Board is responsible for the initial and subsequent annual appointment(s) of the Bank's FIFO.

### 2.2.2. AML OFFICER

The Board has designated an AML Officer to comply with the BSA, the USA PATRIOT Act, and the Anti-Money Laundering Program and SAR Filing Requirements for Housing Government Sponsored Enterprises (GSEs)<sup>7</sup> adopted by the Financial Crimes Enforcement Network ("FinCEN").

### 2.2.3. OTHER DUTIES

In addition to other duties assigned by the Board, the FIFO and/or AML Officer will:

- Serve as liaison with law enforcement and regulatory agencies regarding matters of compliance/examinations/reports pertaining to suspected activities, anti-fraud for financial instruments and anti-money laundering programs, and related requirements.
- Receive reports of any fraud, money laundering, or other covered activity hereunder.
- Oversee internal or external investigations of fraudulent or suspected fraudulent activity, including related to financial instruments, including internal and external investigations, independently, in conjunction with, or as assigned by the General Counsel, the CIAO, and/or the Audit Committee, where applicable.

## 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 employee misconduct, money laundering, suspicious activity, possible fraud, terrorist financing, and all other activities covered under the scope of this policy. All such reports will be treated as confidential to the extent possible, and reporting persons shall be entitled to the protections described in the Bank's *Whistleblower Policy*.

Any person making a report pursuant to this Policy or any person receiving notice of a complaint or report made pursuant to this Policy shall immediately notify the AML Officer (and the FIFO if the report is related to financial instruments) and shall provide such additional information as either of them may request to support compliance with FinCEN and Finance Agency reporting requirements. All such persons shall also be under a continuing duty to promptly provide updated information concerning any such matters. Upon receiving the report, the FIFO and/or AML Officer shall notify the General Counsel and the CIAO.

<sup>7</sup> 31 C.F.R. Part 1030



---

### 2.3.3. TO WHOM REPORTS WILL BE MADE

Reports of fraud or possible fraud should be made to the FIFO and/or the AML Officer through the Questionable Activity Report (QAR) process posted on the Bank’s website. Reports of fraud or possible fraud may also be made to the CIAO (directly or via EthicsPoint), the General Counsel, Chief Human Resources and Diversity, Equity, & Inclusion Officer, or other person receiving a report pursuant to the Whistleblower Policy as appropriate, who shall in turn (jointly or singly) report the matter to the FIFO and/or the AML Officer through the QAR process.

If any person making any report has any 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.

All reporting may also be done confidentially and anonymously through EthicsPoint at 1-866-850-1408 or [www.ethicspoint.com](http://www.ethicspoint.com).

---

### 2.3.4. INVESTIGATIONS

Each report will be investigated promptly and thoroughly by the AML Officer and/or the FIFO, or their designee. Investigations may also be conducted by Internal Audit as directed by the Audit Committee or in consultation with the AML Officer and/or the FIFO.

---

### 2.3.5. REGULATORY FILINGS

The AML Officer and/or FIFO, or their designee, will prepare and submit fraud-related regulatory filings as required by applicable laws and regulations, this Policy, and related procedures.

## 2.4. CONFIDENTIALITY AND RECORDKEEPING

---

### 2.4.1. REPORT CONFIDENTIALITY

The Bank will maintain any report required by this Policy, and any such report’s supporting documentation, as confidential to the extent possible, and in accordance with applicable law. All Covered Persons shall refrain from discussing any report, including required regulatory filings such as SARs, with any other Covered Person except in accordance with Section 2.3 of this Policy.

Further, any Covered Person who is subpoenaed or required to disclose a regulatory filing, a report required by the Finance Agency, or the information contained in such report, will report the existence of that subpoena or requirement immediately (and prior to disclosure of the information to the regulator) to the General Counsel and AML Officer and/or FIFO prior to disclosure of the information to the regulator, unless otherwise restricted by the terms of the subpoena from reporting to the General Counsel. The General Counsel will evaluate any subpoena or requirement under this Policy.

---

### 2.4.2. RECORDKEEPING AND HOLDING PERIOD

All records associated with fraud investigations, fraud-related regulatory filings and reports, and all other fraud-related records created or obtained in connection therewith, will be maintained for five (5) years. Unless otherwise determined by the FIFO, AML Officer, CIAO and/or General Counsel, such records will be destroyed at the expiration of the five-year period.

## 2.5. TRAINING PROGRAMS

The AML Officer and the FIFO will develop, coordinate, and/or provide ongoing training as required by the applicable regulations and related regulatory guidance, but no less frequently than every other year. Training may





be in such format as necessary to effectuate full compliance with related laws and regulations, the Advisory Bulletin, and this Policy.

2.6. WHISTLEBLOWER PROTECTION

This Policy is subject to the Bank’s Whistleblower Policy and no Covered Person attempting to comply with this Policy will:

- Be dismissed or threatened with dismissal,
- Be disciplined or suspended or threatened with discipline or suspension,
- Be penalized or have any other retribution imposed,
- Be intimidated or coerced, or
- Be otherwise subject to any other adverse action or economic effect

based on the fact that the Covered Person has reported a potential violation of this Policy in good faith or participated in an investigation in accordance with the requirements of this Policy.

2.7. DELEGATION OF DUTIES

The AML Officer, FIFO, CIAO, and General Counsel may delegate their duties and functions under this Policy to Bank officers within their respective departments.

3. AMENDMENTS

The Board may approve amendments to this Policy at any time.

4. APPROVAL AND REVIEW CYCLE

This Policy, as amended, is effective as of September 16, 2022. 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

- 31. C.F.R. Part 1030, Rules for Housing Government Sponsored Enterprises
- 12 C.F.R. Part 1227, Suspended Counterparty Program
- 12 C.F.R. Part 1233, Reporting of Fraudulent Financial Instruments
- 12 C.F.R. Part 1236, Prudential Management and Operations Standards
- Federal Housing Finance Agency Advisory Bulletin 2015-01 – FHLBank Fraud Reporting

6. DOCUMENT CHANGE RECORD

Version	Date	Description	Reviewed by
1.0	03/18/2016	Transferred Policy into Bank policy framework. No content changes required.	Legal/Compliance
1.1	03/24/2017	Reviewed for annual maintenance; separated from AML Policy. Preparation for re-adoption by the Board.	Policy Management Legal/Compliance Audit Committee - Board of Directors



2.0	03/23/2018	Annual maintenance. Some re-formatting done to comply with Bank's Policy Framework. Key content changes include updates to clarify FIFO and BSA/AML Officer roles, further identify parties involved in investigations, and add new "Employee Wrongdoing" section. Suspended Counterparty Program section removed.	Policy Management Legal/Compliance Audit Committee - Board of Directors
3.0	3/22/2019	Annual maintenance. Changes to clarify anti-fraud for financial instruments vs. non-financial instruments as defined in the Finance Agency regulation.	Legal Compliance Audit Committee- Board of Directors
4.0	12/1/2020	Annual maintenance, cross reference the Applicable Code of Conduct for consequences of violations, make Bank's management roles and responsibilities consistent between the Policy and the Whistleblower Policy, make conforming changes for defined terms.	Legal Compliance Audit Committee- Board of Directors
5.0	3/19/2021	Annual policy maintenance.	Legal Compliance Audit Committee-Board of Directors
6.0	09/16/2022	Annual maintenance and changes to remove AML specific requirements already covered in the Anti-Money Laundering Policy.	Compliance Risk Committee Audit Committee- Board