

Standards of Conduct

Preamble

Public confidence in the integrity of the Federal Reserve Bank of Atlanta must be maintained at all times. Therefore, employees must maintain exceptionally high standards of conduct. Management was confident that you possessed high standards when you were employed and is equally confident that you would not knowingly place the Bank in an embarrassing or awkward position.

Because this issue is important, the Bank distributes a copy of the policy on Standards of Conduct when you are employed or when an independent contractor begins work at the Bank. The Bank annually distributes a reminder of the standards of conduct and responsibility to all employees.

Uniform Code of Conduct

The Federal Reserve System has adopted a Uniform Code of Conduct, which applies to all employees. As a result, this Uniform Code now consists of the following:

Section A: Summary of the Uniform Code and Other Standards of Conduct

Section B: Uniform Code of Conduct

Section C: Other Standards of Conduct

Appendix A: Conflicts of Interest

Appendix B: Provisions Applicable to Employees with Banking Supervision and Examination Responsibilities

Requirements

Each employee is responsible for becoming acquainted with the provisions of this policy, and fully understanding the required standards of conduct. When you are employed, and on an annual basis, you are required to read a summary of this policy as well as the following policies:

- Communication of Issues and Concerns
- Bank's Equal Employment Opportunity Policy
- Sexual Harassment Policy
- Workplace Violence Prevention Policy
- Bank Computer Systems and Information Assets

Compliance

Your cooperation in complying with these standards of conduct and responsibility will help protect public confidence in the Federal Reserve Bank of Atlanta and, ultimately, in our national economic strength.

Introduction

This summary of the Bank's Code of Conduct provides you with a general overview of the standards of conduct you must meet while working for the Bank. If you need more information or have specific questions, refer to the Code of Conduct, or contact the Legal Department.

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Code of Conduct

1.0 Employee Conduct

As a FRB employee **YOU MAY NOT** do the following on Bank premises:

- Gamble or participate in illegal lottery activities.
- Sell or drink alcoholic beverages except at approved functions
- Report to work or perform job duties while under the influence of alcohol.
- Use, sell, or possess illegal drugs on Bank premises or while conducting Bank business.
- Misuse over-the-counter or prescription drugs.
- Use or possess the following unless required to do so by your job:
 - * Gun
 - * Knife
 - * Other lethal weapon
 - * Hazardous material.

2.0 Bank Property and Information

Part of your responsibility as a Bank employee is to protect and conserve Bank property and use it for proper purposes.

In performing your job, you may have access to information that is not generally available to the public or is considered confidential, such as information related to banks, federal agencies, suppliers, current and former employees, and System/Bank related information. You may not disclose this information unless authorized by your supervisor. Using nonpublic information for any purpose other than Bank business is prohibited.

3.0 Use of Position

You may not use your position at the Bank, either directly or indirectly, for private gain. This includes using your title or position to endorse a product, service, or enterprise other than a Bank product or service.

4.0 Conflicts of Interest

You have a responsibility to avoid any situation that would result in a conflict of interest or the

appearance of a conflict of interest.

Example: A conflict of interest may arise if you are working on something that involves awarding a contract, and a relative or close friend works for one of the bidders.

In addition, it is a federal crime for you to participate in any Bank matter in which you have a financial interest. A financial interest is anything that could result in a financial benefit to you and can include:

- Ownership of stock
- Interest in a business or property, or
- Employment.

Note: You are also prohibited from participating in any Bank matter that involves a financial interest of your spouse, your minor child, your general partner, or an organization or entity of which you are an officer, director, trustee, or employee.

The Code describes a number of financial interests that are exempt from this prohibition, which means that you may be able to participate in a Bank matter even though it might affect those exempt interests.

5.0 Financial Interests

You generally are prohibited from owning stock or debt securities of any bank, thrift, other depository institution, or their affiliates. You are regarded as owning any such interest owned by your spouse or minor child. The Code includes several exceptions to this prohibition, including, for example, interests in some mutual funds and interests acquired by your spouse before your marriage or your employment at the Bank, or acquired by your spouse as compensation or a fringe benefit in connection with his/her employment.

In addition, if you have regular and ongoing access to Class I FOMC information, you may not own a debt or equity interest in a primary government securities dealer or in an entity that directly or indirectly controls a primary dealer. If you have access to Class I FOMC information, you are subject to additional restrictions on the purchase or sale of any security, and the length of time a security must be held.

In a particular circumstance, you may seek a waiver of these prohibitions from the Bank's ethics officer, particularly for financial interests you acquired by gift or inheritance or before the Bank hired you.

6.0 Gifts, Meals and Entertainment

Except as otherwise permitted by the Code, you, your spouse, or minor child may not accept a gift, meal, favor, service, entertainment, or anything of monetary value from a person or organization that:

- Seeks action by the Bank
- Does business with or seeks to do business with the Bank
- Is supervised by the Federal Reserve, or
- May be affected by your work at the Bank.

Note: The Code has some exceptions to this prohibition.

Example: You may accept a gift or meal having a value of \$20 or less, provided the number of times you've received such a gift from the same source is infrequent. This particular exception does not apply to an examiner.

You, your spouse, and your minor children also are prohibited from accepting a gift from an organization a majority of whose members are the organizations described above.

7.0 Seeking Other Employment

You are prohibited from participating in any Bank matter that will affect the financial interest of any organization or person with which you are seeking employment or have an arrangement for future employment.

8.0 Outside Activities

Here are the guidelines for the following outside activities:

- General
- Teaching, Speaking, and Writing
- Political Activity

General

As an employee of the Bank, your activities outside the Bank should not harm the Bank's reputation or interfere with your Bank duties. In addition, before engaging in any outside activity for which you will be compensated, you must obtain prior approval from the Bank as required by the Personnel Manual.

Teaching, Speaking, and Writing

In general, you may not accept compensation (including honoraria or travel expenses) from any source other than the Bank for teaching, speaking, or writing on a subject that relates to your responsibilities at the Bank.

Note: The Code contains some exceptions to this rule.

Political Activity

An employee may undertake public service that does not raise questions about the independent and nonpartisan character of the Bank. Examples include service as a member of a board of education, parks and recreation commission, or a board of health or a university board, provided the office is not elected under a party label.

However, it is important that the Bank not be viewed as taking part in or sponsoring a political campaign or partisan activity. As a result, you may not engage in political activity while on duty or on Bank premises.

Furthermore, your association with the Bank must not be publicized in connection with any of your political activities. You may not:

- Run for partisan political office
- Solicit or accept any political contribution on behalf of any candidate, party or political organization

Note: Officers are subject to additional restrictions.

[9.0 Post-employment Activities](#)

Post-employment activities include contact with former co-workers and retention of non-public information.

Topic	Rules
Contact with Former Co-Worker	If a former Bank employee contacts you about a Bank matter in which he or she participated while at the Bank, you may not discuss the matter with him/her unless authorized to do so by Bank management.
Non-Public Information	You must leave all Bank documents, files, computer diskettes, reports and records containing any Bank or nonpublic information, and all copies of this information, with the Bank when your employment ends.

[10.0 Reporting Violations/ Disciplinary Action](#)

It is important that the public have confidence in the honesty and integrity of all Bank employees.

Therefore, we encourage you to report a violation of the Code to the ethics officer. A violation involving the following should be reported to the Bank's general auditor.

- Corruption
- Fraud
- Theft.

If you violate any provision of the Bank's Code of Conduct, you will be subject to disciplinary action that may include your dismissal from the Bank.

Appendix A

Appendix A applies to all employees and contains a summary of significant portions of the federal conflicts of financial interest regulations. It also provides additional detail about:

- i. The conflict of interest rule in Section 5.2 of the Code.
- ii. The rule about seeking other employment in Section 6 of the Code.

Appendix B

Appendix B of the Code contains additional and specialized rules for bank examiners and other employees, both inside and outside the Division of Banking Supervision and Regulation, whose jobs involve supervising financial institutions.

Other Standards of Conduct

1.0 Accuracy and Quality of Work

You are expected to perform work accurately and to follow prescribed procedures, guidelines, and controls. Failure to comply with prescribed controls is a key factor in evaluating your performance and could lead to disciplinary action and/or termination.

2.0 Performance of Duties

Employees shall refrain from any action which might result in or create the appearance of:

- a. Using their position for private gain
- b. According preferential treatment to any person
- c. A loss of independence or impartiality with respect to decisions or recommendations
- d. Making decisions outside official channels.

3.0 Use of Bank Property and Information

You are responsible for protecting all Bank property entrusted to you. Remember that the Bank's property includes the Banks Systems as defined in Policy on Information Security (611). You are encouraged to read the Bank's E-mail and Internet Use Policy for further information about use of the Bank's electronic communication systems. From time to time, you may borrow certain Bank-owned equipment under the procedures in Use of Bank Property Policy (910).

You are responsible for protecting the confidentiality, integrity, and accuracy of Bank information assets under your control.

Bank property is subject to inspection by Bank management at any time without notice. This property includes offices, cubicles, desks, work areas, file drawers, computer disks, and electronic voice or data storage. Areas such as lockers that are available for securing personal property are subject to search by management at any time without notice to retrieve Bank property or to investigate misconduct such as possession of firearms or drugs. To ensure a safe and secure work environment, personal items including personal correspondence received at the Bank's address are also subject to inspection.

4.0 Crimes

Federal law makes it a crime (subject to a \$50,000 fine, no more than five years imprisonment, or both) for you to participate personally and substantially for the Bank in any matter in which you have knowledge that the following individuals or organizations have a financial interest:

- a. You
- b. Your spouse, minor child, or partner
- c. Any organization in which you serve as an officer, director, trustee, partner, or employee
- d. Any person or organization with whom you are negotiating or have any arrangement concerning prospective employment.

This statutory prohibition does not apply if the financial interest of the employee has been exempted by published general rule or regulation, or if, when Bank management receives full disclosure of the financial interest and the nature and circumstances of the particular matter, management determines in advance that the financial interest is not substantial enough to affect the integrity of the employee's services. **(See Appendix A.)** Various other criminal activities such as embezzlement from a Reserve Bank and intentionally falsifying Reserve Bank records violate Federal law. A list of relevant federal crimes and penalties is contained in the policy.

Any employee who commits a criminal act is subject to a detailed investigation by Bank management. The primary responsibility for conducting the investigation lies with Bank management, and the Legal department serves in an advisory capacity. Nothing in this policy shall restrict the Audit function from

taking action it considers appropriate under the circumstances.

All personnel who carry firearms as part of their job are required to provide annual certifications that they are not part of a class of persons prohibited from possessing firearms under Federal law. In addition, the Reserve Bank conducts criminal background checks on these employees once every three years. Any armed personnel who are prohibited from possessing a firearm will be subject to appropriate action, including termination.

5.0 Reports of Violations

Any employee who participates in or knows about the following but does not report it will be subject to dismissal and/or prosecution:

- Robbery
- Theft
- Extortion
- Falsification of Bank records
- Unauthorized destruction of Bank records
- Other criminal activity occurring at the Bank

Employees are encouraged to report violations of the Banks Code of Conduct. This information should be reported using the reporting channels described in **(Section C)**.

6.0 Outside Employment

Employees are permitted during off-duty hours to have outside employment if it is compatible with their Bank employment; the matter must be discussed in advance with the officer in charge, and approval must be obtained in accordance with the Personnel Manual. Conflicts of interest are to be avoided, and the outside employment must not affect the mental or physical capacity to perform assigned Bank duties.

7.0 Reporting Relationships

Changes in status of relationships (as by marriage, adoption, employment, or promotion) which result in an employee becoming related in any way to any of the following should be disclosed immediately:

- Employee of a bank
- Employee of a bank holding company
- Employee of any other financial organization
- Employee of the Federal Reserve Bank.

Approvals must be obtained in accordance with the Personnel Manual.

8.0 Procurements

Employees who participate personally and substantially in procurements on behalf of the Bank may be subject to additional rules as outlined in Section C.

Standards of Conduct - Section B

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1.0 Basic Obligation

Overview

For the Federal Reserve Bank of Atlanta (Bank) and the Federal Reserve System (System) to function properly and to maintain public confidence, every employee must perform his/her duties with honesty, integrity, and impartiality, and without improper preferential treatment of any person. Each employee:

- Has a responsibility to the Bank and to the System to avoid conduct which places private gain above his/her duties to the Bank, which gives rise to an actual or apparent conflict of interest, or which might result in a question about the independence of the his/her judgment or his/her ability to perform the duties of his/her position satisfactorily
- Should conduct his/her financial affairs with integrity and honesty.

To ensure the foregoing, each employee, including all Bank officers, shall respect and comply with the principles and standards of conduct in this Code.

Note: If you need help in interpreting the provisions of the Code or if you want more information, you should contact the Bank's Ethics Officer.

2.0 Employee Conduct

2.1 Gambling and Lotteries

An employee shall not participate in any gambling or illegal lottery activity for money or for anything of value while on Bank premises.

2.2 Alcoholic Beverages

Except at Bank approved functions, the Bank prohibits:

- You from selling or consuming beer, wine, or other alcoholic beverages on the Bank's premises
- You from reporting to work or performing job duties if, as a result of consuming alcoholic beverages, you are under the influence of alcohol (that is, if your physical or mental abilities are impaired).

2.3 Illegal Drugs

An employee on Bank premises or while conducting business on behalf of the Bank shall not:

- Possess any unauthorized substance
- Use any unauthorized substance
- Sell any unauthorized substance
- Distribute any unauthorized substance
- Be under the influence of any unauthorized substance.

An unauthorized substance is any illegal drug or illegal controlled substance, or any drug which has been legally obtained but is not being used in the prescribed dosage for prescribed purposes.

2.4 Firearms/Hazardous Materials:

Possessing or using of the following on Bank premises is prohibited:

- Firearms or other lethal weapons
- Ammunition
- Explosives or hazardous materials.

Note: This restriction does not apply to items that are owned by the Bank and used by a Bank employee in conducting Bank business.

3.0 Bank Property and Information

3.1 Bank Property

You have a duty to protect and conserve Bank property and to ensure that it is used for proper purposes.

3.2 Bank Information

Bank information should be released or used only as authorized by Bank policy. Bank examination and other bank or bank holding company supervisory information is the property of the Board of Governors of the Federal Reserve System (Board) and may be disclosed only in accordance with Board procedures.

Information maintained as fiscal agent for any federal agency may be disclosed only in accordance with that agency's procedures.

In the course of working at the Bank, you may have access to non-public information. Non-public information is information that you know, or that you reasonably should know:

- a. Has not been made available to the general public
- b. Is designated as confidential, private, or proprietary, or
- c. Is routinely treated by the Bank as confidential

Non-public information may include information related to the Bank, the System, the Federal Open Market Committee, or another person or institution (such as a banking organization, a vendor, an employee or former employee of the Bank, or a federal agency). You must strictly preserve the confidentiality of this information. It can be disclosed only as required for Bank purposes and only as authorized.

3.3 Use of Non-Public Information for Private Gain

You are prohibited from using non-public information for any purpose other than Bank business. In addition, you may not engage directly or indirectly in any financial transaction as a result of, or in reliance on, non-public information, whether this information relates to the Bank or to any other person or institution. You may not allow the improper use of such non-public information to further your own private interest or that of another person, whether through advice, recommendation, or a knowing, unauthorized disclosure.

4.0 Use of Position

4.1 For Private Gain

You may not directly or indirectly use your position for your own private gain or for the private gain of any other person.

4.2 For Endorsements

You shall not use or permit anyone to use your position or title or any authority associated with your office to endorse any product, service, or enterprise except in connection with Bank products and services, or as otherwise authorized by the Bank.

5.0 Conflicts of Interest

5.1 General Standard

You should avoid any situation that might give rise to an actual conflict of interest or even the appearance of a conflict of interest. If you routinely represent the Bank in dealing with the public, you must be particularly careful about this. Where the circumstances might cause a reasonable person to question your impartiality or otherwise give an appearance of a conflict of interest, you should not participate in a matter unless you have informed the Bank about the situation and received authorization from the Bank's Ethics Officer.

Example: A conflict of interest or the appearance of a conflict of interest may arise where you are working on a matter involving a potential contract award and your sibling or close friend works for one of the bidders. As a result, you should consult with the Bank's Ethics Officer before participating in the matter.

5.2 Statutory Prohibition on Conflicts

Statutory Prohibition on Conflicts topics is divided into the following sections:

- A. Background
- B. General Statutory Prohibition
- C. Imputed Interest
- D. Particular Matter
- E. Direct and Predictable Effect
- F. Exempt Financial Interests
- G. Individual Waiver

5.2 A - Background

The rules in this section are derived from provisions of the federal criminal conflict of interest statute and related regulations. Key portions of the regulations, modified as appropriate for the Bank's use, are attached as Appendix A and are part of this Code. In light of the serious consequences of violating this criminal statute, you are strongly urged to read all of **Appendix A**. If you have any questions about the prohibitions in this section, you should contact the Bank's Ethics Officer.

5.2 B - General Statutory Prohibition

You may not participate personally and substantially in an official capacity in any particular matter in which, to your knowledge, you or certain related parties listed in **(Section 5.2-C)** have a financial interest if the particular matter will have a direct and predictable effect on that interest. Participation in a particular matter includes:

- Making a decision or recommendation
- Providing advice, or
- Taking part in an investigation

5.2 C - Imputed Interests

The financial interests of the following people and entities are imputed to you and will disqualify you from participating in a matter:

1. Your spouse
2. Your minor children
3. Your general partner(s)
4. An organization or entity for which you are an officer, director, trustee, general partner, or employee (regardless of the nonprofit status of the organization or whether you are paid)
5. A person or entity with whom you are negotiating for employment or have an arrangement about prospective employment. **(See Section 6 for more detail.)**

Example:

As part of your job you participate in reviewing bank holding company applications. You also serve without compensation on the board of directors of a fraternal organization. At a meeting of its board of directors, you discover that the organization, as part of its investment portfolio, owns stock in Bank A. After this meeting takes place, you are asked to review an application of Bank Holding Company B to acquire Bank A and to recommend whether the application should be approved. Even though your personal financial interests will not be affected by the approval or denial of the application, you should not review the application. The approval or denial of the application will affect the value of Bank A stock, a financial interest of the organization. The organization's financial interests are attributed to you because you are a member of its board of directors.

5.2 D - Particular Matter

The term particular matter includes:

- A supervisory matter involving a depository institution or its affiliate,
- Rule-making that is focused on a discrete class
- An application
- An enforcement action
- An examination
- A request for ruling or other determination

- An acquisition or sale (e.g., securities, foreign exchange, or real estate)
- Formation of contracts
- The provision of priced and non-priced services.

5.2 E - Direct and Predictable Effect

For a particular matter to have a direct effect on a financial interest there must be a close causal link between any decision or action to be taken in the matter and any expected effect of the matter on the financial interest. An effect may be direct even though it does not occur immediately. A particular matter that has an effect on a financial interest only as a consequence of its effect on the general economy does not have a direct effect within the meaning of this rule.

A matter will have a predictable effect on a financial interest if there is a real, as opposed to a speculative, possibility that the particular matter will affect the financial interest.

5.2 E - Example 1

An employee in Data Processing is asked to serve on a technical evaluation panel to review proposals for a new computer system. ABC Computer Corp. (ABC) has submitted a proposal. The employee owns ABC stock. The award of the contract to ABC or to any other company that bids will have a direct and predictable effect on the value of the ABC stock. The fact that the gain or loss cannot be measured and that the value of the gain or loss may be extremely small is irrelevant. The employee may not serve on the evaluation panel unless an exemption is applicable (**see Section 5.2-F**) or unless the employee receives a waiver (**see Section 5.2-G**).

5.2 E - Example 2

You work in Check Processing and are asked to buy a new software program. You have a choice between purchasing the software program designed by XYZ Computer Corp. or the software program designed by Mammoth Co. Your spouse works for Mammoth Co. and participates in Mammoth Co.'s stock option plan. Through that plan, your spouse receives shares of Mammoth Co. The purchase or non-purchase of Mammoth Co.'s software program will have a direct and predictable effect on the value of Mammoth Co.'s stock and thus on your spouse's financial interest. Your spouse's interest is imputed to you and therefore you may not decide which software program to purchase unless an exemption is applicable (**see Section 5.2-F**) or unless you receive a written waiver (**see Section 5.2-G**). The fact that the potential gain or loss is immeasurable is immaterial.

5.2 E - Example 3

If, on the other hand, your spouse is a salaried employee of Mammoth Co. and has no ownership interest in Mammoth Co., you could decide which software program to purchase, assuming that the purchase or non-purchase of Mammoth Co.'s software program would have no effect on your spouse's salary or employment. Although you would not be prohibited by the criminal conflict-of-interest statute

from participating in this decision, your participation could still appear to be a conflict of interest suggesting that your disqualification should be considered under **(Section 5.1.)** Therefore, you should not participate in the matter without first obtaining authorization of the Bank's Ethics Officer.

5.2 F - Exempt Financial Interests

Under regulations issued by the Office of Government Ethics (OGE), which are set forth in part in Appendix A, a number of financial interests are exempt, and therefore you may participate in a particular matter that will affect those interests.

The following interests are exempt:

- a. Investments held through a diversified non-sector mutual fund or unit investment trust
- b. Your interest in any System retirement or thrift plan
- c. Short-term federal government securities (maturity of one year or less) and U.S. Savings Bonds.

The OGE regulations also provide additional exemptions relating to financial interests;

- a. In certain employee benefit plans
- b. In publicly traded securities, municipal securities, sector mutual funds, and long-term federal government securities where the aggregate fair market value of the securities owned by you and your spouse and any minor child is below a certain amount
- c. Of certain tax-exempt organizations whose interests are imputed to you because of your association with the organization
- d. Of your general partner.

The OGE regulations also provide for exemptions in addition to those summarized in this section. The primary exemptions for the various financial interests, which are in Part II of Appendix A, are complex. If you have such an interest or if such an interest is imputed to you from a family member or other related person, you should carefully read Part II of Appendix A to see whether your participation in a particular matter affecting the interest is allowable.

5.2 G - Individual Waiver

If you would otherwise be disqualified in a particular matter, you may participate if you receive a written waiver before you participate in the matter. If you want to request a waiver, you should consult the Bank's Ethics Officer.

5.3 Prohibited Financial Interests

Prohibited Financial Interest topics are divided into the following sections:

- A. Prohibition of Certain Debt or Equity Interests
- B. Exceptions
- C. Definition of Debt or Equity Interest
- D. Divestiture
- E. Waiver

5.3 A - Prohibition of Certain Debt or Equity Interests

Notwithstanding anything to the contrary in Section 5.2, you may not own or control, directly or indirectly, any debt or equity interest in a depository institution or an affiliate of a depository institution. A depository institution means a bank, a trust company, or any institution that accepts deposits, including a bank chartered under the laws of a foreign country. In addition, if you have regular and ongoing access to Class I FOMC information, you may not own or control, directly or indirectly, any debt or equity interest in a primary government securities dealer or an entity that directly or indirectly controls a primary dealer. You are regarded as controlling any debt or equity interest held by your spouse or minor child.

5.3 B - Exceptions

The following are not prohibited debt or equity interests within the meaning of **(Section 5.3-A)**:

1. An interest in a publicly traded money market fund or other mutual fund (including a fund that is an affiliate of a depository institution or primary dealer of government securities), if
 - a. The fund does not have a policy of concentrating its investments in the financial services industry; and
 - b. Neither you nor your spouse has the ability to exercise control over the financial interests held in the fund.
2. An interest acquired by your spouse or minor child (other than from you)
 - i. Before the marriage, or
 - ii. Before you were employed by the Bank, or
 - iii. As compensation or a fringe benefit in connection with your spouse's employment, or as qualifying shares as a condition of service as a director or employee.
3. A future interest created by someone other than you, your spouse, or your child.
4. An interest of yours, of your spouse, or of your minor child as a beneficiary of an estate where the interest has not been distributed by the estate's legal representative.

5. An interest in a widely held, diversified pension or other retirement fund that is administered by a trustee independent from you and your spouse.
6. An interest in a publicly traded holding company that is not predominantly engaged in the banking or thrift business, is not supervised by the System, and does not control a state member bank, a foreign bank with U.S. operations, a federally insured U.S. office, or a bank within the meaning of the Bank Holding Company Act.
7. If you are prohibited from owning stock of a primary dealer or its affiliate, an interest in a publicly traded holding company that owns a primary dealer, provided that the holding company is not predominantly engaged in the banking, thrift, or securities business.

If you are required to file a disclosure statement under Section 9, you must report an interest that you or your spouse or minor child holds pursuant to any of these exceptions. Also, it is important for you to understand that the ability to retain an otherwise prohibited interest under one of the exceptions does not constitute a waiver for conflicts of interest described in **(Section 5.2)**.

5.3 C - Definition of Debt or Equity Interest

The term debt or equity interest includes secured and unsecured bonds, debentures, notes, securitized assets, commercial paper, preferred and common stock, short positions, instruments convertible into any of these, as well as options, rights or warrants to acquire these instruments. The term debt or equity interest does not include a deposit, credit union shares, insurance policy, or annuity. Although not in the definition of a debt or equity interest, insurance policies and annuities may be financial interests and may result in conflicts of interest under **(Section 5.2)**.

5.3 D -Divestiture

If you violate this section, you may be required to divest the prohibited interest as well as receive any appropriate disciplinary action, Divestiture also may be required if the ownership or control of an interest, though permissible under this section, would likely disqualify you from handling matters to an extent that substantially interferes with your ability to perform your job.

Whenever the Bank directs divestiture, you will be given a reasonable period of time to divest, considering the nature of your particular duties and the nature and marketability of the interest. Except in cases of unusual hardship, as determined by the Bank, a reasonable period will ordinarily not exceed 90 days from the date the divestiture is first directed.

5.3 E - Waiver

The Bank's Ethics Officer, in consultation with the officer responsible for your department, may grant a written waiver permitting you to own or control a debt or equity interest prohibited by paragraph A if there are extenuating circumstances and if any required disqualification from a particular matter(s) due to the financial interest would not unduly interfere with the full performance of your duties. Here are

some examples of extenuating circumstances: If you had:

1. Ownership or control of the interest (including a preemptive right or option) before your Federal Reserve employment; or
2. Ownership or control of the interest through inheritance, gift, stock split, stock dividend, merger acquisition, or other change in corporate structure, or otherwise without specific intent on your part to acquire the interest.

5.4 Gifts, Meals, and Entertainment from Outsiders

Gifts, meals, and entertainment from outsider are divided into the following sections:

- A. Gifts, meals, and entertainment
 - General Prohibition
 - Exceptions
- B. Examiners
- C. Gift from foreign governmental source
- D. Treasury borrowing advisory committee

5.4 A1 - General Prohibition

Except as permitted below, you may not solicit or accept, directly or indirectly, any gift, meal, favor, service, entertainment, or other thing of monetary value (gift) from a person or institution that:

- Does, or seeks to do, business with the Bank
- Is supervised by the System
- Has interests that are substantially affected by your duties at the Bank (All of the above are covered sources), or
- Is an organization, a majority of whose members are covered sources

A gift received by your spouse or child, or given to a person or entity at your specific direction, is considered to be received by you.

If you are offered a prohibited gift, you should decline to accept it. If you receive a prohibited gift, arrangements should be made to return or dispose of the gift, and the source should be advised of the Bank's policy.

5.4 A2 - Exceptions

A gift that otherwise would be prohibited is permitted if you can clearly establish that the gift:

- Has a de minimis market value (\$20 or less) provided the number of times you have received a de minimis gift from the same covered source is infrequent.
- Is a reduced or waived admission fee to attend, or a meal provided in connection with, a widely attended conference or gathering which is in furtherance of your duties at the Bank.
- Is given or offered under circumstances that indicate it is motivated by a personal relationship that exists independently of your employment with the Bank.
- Results from your spouse's employment and has not been offered or enhanced because of your position with the Bank.
- Results from your outside employment or business activities and has not been offered or enhanced because of your position with the Bank.
- Is a meal provided in connection with a charitable or civic function or organization in which you are a participant.
- Is a meal authorized in writing in advance by the Bank's Ethics Officer based on a determination that:
 - Special circumstances exist which make accepting the meal appropriate in furtherance of Bank business,
 - Payment by you is not feasible, and
 - Acceptance of the meal will not create a conflict of interest.
- Is a discount or benefit available to the general public and is not offered to you or enhanced because of your employment with the Bank.

Note: Even when permissible under one of these exceptions, you may always decline a gift offered by a covered source.

- With the Bank's prior approval, you may accept a bona fide award given for achievement if:
 - The award is made as part of an established program of recognition under which awards have been made regularly or which is funded wholly or in part to ensure its continuation on a regular basis; and
 - The program selects recipients according to established standards.

5.4 B - Examiners

The exceptions described in **Section 5.4 (A)(2)** do not apply to a gift or a meal offered to an examiner by an institution that the examiner examines, has examined, or has authority to examine. Furthermore, an examiner may never accept a meal or gift under the de minimis exception of **Section 5.4 (A)(2)(a)** from an institution for which the System is the primary federal regulator. An examiner should consult Appendix B, Part I, paragraph 4.

5.4 C - Gift from Foreign Governmental Source

You may not accept a gift from a foreign government including a foreign central bank unless the gift is valued at \$335 or less and is offered and received as a souvenir or mark of courtesy. You may accept a

gift from a foreign government valued above \$335 under certain limited circumstances. You should consult with the Bank's Ethics Officer to determine whether you may accept such a gift.

5.4 D -Treasury Borrowing Advisory Committee

You may not accept any gift from the Treasury Borrowing Advisory Committee of the Public Securities Association or any member of the advisory committee.

6.0 Seeking Other Employment

Seeking Other Employment

You are prohibited from personally and substantially participating in an official capacity in any matter that will have a direct and predictable effect on the financial interest of any entity with which you are seeking employment or have an arrangement for future employment. Under some circumstances your participation may violate the federal criminal conflict of interest statute. Refer to Part III of Appendix A for more information about this prohibition.

Example 1:

You are in the Credit and Discount Department, and you receive a call from Bank B asking you whether you are interested in leaving the Reserve Bank and going to work for Bank B. You inform Bank B that you are involved in a project that will be completed by year-end, and that until the project is completed, you cannot consider leaving the Reserve Bank. After this conversation, Bank B approaches the Reserve Bank for an advance. You are typically asked to advise whether an advance should be made. You are considered to be seeking employment with Bank B because you did not clearly reject Bank B's offer but merely postponed discussing it. Thus, you must refrain from participating in the decision to approve or deny the advance to Bank B.

Example 2:

You are considered to be seeking employment with a company as soon as you inquire about employment with the company unless your inquiry is part of a mass mailing to a large class of potential employers.

If . . .	Then . . .
Your inquiry to the company is part of a mass-mailing	You are not considered to have begun seeking employment unless you receive a response from the company that indicates an interest in employment discussions.

7.0 Outside Activities

7.1 General

Your outside activity, including outside employment, should not:

- Bring discredit to the reputation of the Bank or the System
- Interfere with the full and proper discharge of your duties and responsibilities
- Be incompatible with your duties and responsibilities.

Incompatible activities include, for example, those which:

- Are prohibited by statute, regulation, or any provision of this Code
- Create the appearance of a conflict of interest
- Would require your disqualification from matters so central or critical to the performance of your duties and responsibilities that your ability to give satisfactory service to the Bank would be materially impaired.

Before engaging in compensated outside employment, you should obtain the approval of the Bank.

The financial interests of any organization of which you serve as officer, director, trustee, general partner, or employee will be attributed to you for purposes of the statutory prohibitions of **(Section 5.2)**.

7.2 Teaching, Speaking, and Writing

Teaching, speaking, and writing topics are divided into the following sections:

- General prohibition
- Exceptions
- Use of Bank title in connection with teaching, speaking, or writing.

7.2 A - General Prohibition

Except as provided in Sections **5.4(A)(2)(a)(i)** and **(ii)**, **5.4 (A)(2b)**, and **Section 5.4C**, you may not accept compensation, a gift, or honorarium from any source other than the Bank for teaching, speaking, or writing on a subject that relates to your duties and responsibilities. This restriction precludes acceptance by you, but not the Bank, of reimbursement for travel expenses or lodging expenses in connection with an appearance, speech, or publication.

7.2 B - Exceptions

With the Bank's prior approval, you may accept compensation and reimbursement of travel/lodging expenses for:

1. Teaching a course related to your duties if the course is offered as part of the regularly established curriculum of a school, college, or other educational entity (for example, the American Institute of Banking).
2. Preparing an article or other publication using or incorporating information you obtained in the course of or as a result of performing your job duties at the Bank, provided the publication is prepared on your own time.

7.2 C - Use of Bank Title in Connection with Teaching, Speaking, or Writing

You may not use or permit the use of your title at the Bank in connection with teaching, speaking, or writing, or to promote any book, seminar, or course when these activities are not part of your Bank duties except:

1. As one of several biographical notes when the note is given no more prominence than any other.
2. As part of an article published in a scientific or professional journal as long as a reasonably prominent disclaimer states that the views expressed in the article do not necessarily represent the views of the Bank.

7.3 Political Activity topics are divided into the following sections:

1. General
2. Partisan Politics
3. Non-partisan public service.

7.3 A - General

The Federal Reserve Banks have a unique need to protect their independence from the political process. Therefore, although you may participate or become involved in issues of general public concern or debate, your association with the Bank must not be publicized in connection with any political activity. Furthermore, you may not engage in political activity while on duty or on Bank premises, and you must be extremely cautious to avoid any suggestion of Bank sponsorship or support of such activities.

7.3 B - Partisan Politics

Non-Officers. If you are not an officer, you may participate in a partisan political campaign, but you may not run for any partisan political office (federal, state, or local) or solicit or accept political contributions (i.e., anything of value, including personal services) on behalf of any candidate, party, or political organization. You may hold a position in a political party as long as the position does not interfere with the employee's performance of Bank duties.

Officers. An officer must be particularly vigilant in avoiding any appearance that his/her personal political views reflect the views of the Bank or the System. An officer may participate in partisan politics only as an individual voter, e.g., vote, express a private opinion, or make a contribution.

Example: An officer may not take an active role in partisan politics; for example, an officer may not:

- Run for any partisan political office
- Solicit or accept political contributions (i.e., anything of value, including personal services) on behalf of any candidate, party, or political organization
- Hold a position (other than general membership) in a political party.

7.3 C - Non-Partisan Public Service

There are various types of public service activities that do not bring into question the independent and non-partisan character of the Bank, and that are viewed as a community service rather than as political activity, even if the position is one to which you are appointed by a partisan public official. Examples are serving as a member of any of the following, provided election or appointment under a party label is not involved:

- Board of education
- Roads and bridges commission
- Parks and recreation commission
- Planning commission
- Board of health
- University board

For instance, an employee, including an officer, may accept appointment by the governor of a state to that state's board of education.

If . . .	Then . . .
There is a requirement that the board of education be made up of a certain number of representatives from each major political party	You may not accept the appointment.
You have any question about the propriety of a particular position or activity	You should consult the Bank's Ethics Officer.

8.0 Post-Employment Activities

8.1 Post- Employment Contacts

A. Post-Employment Contacts with a Former Employee

An employee who ceases to be employed by the Bank may not contact the Bank concerning a particular matter in which he or she participated while employed at the Bank. If a current employee is contacted by a former employee concerning such a matter, the current employee must not discuss the matter or provide any information to that individual that is not available to the general public, unless authorized to do so by Bank management. In performing his or her duties, a current employee may contact a former employee to obtain information concerning work performed by the former employee while employed at the Bank.

B. Post-Employment Contacts with a Former Officer

For one year after leaving a Bank officer position, a former officer who ceases to be employed by the Bank may not appear before or communicate with an employee of any Reserve Bank or the Board with the intent to influence official action on behalf of another person. This restriction will not apply to representations on behalf of the United States (including the Board), a Reserve Bank, a state or local government, an international organization in which the United States participates, an academic institution, a political organization, or a tax-exempt medical organization.

If a current Bank employee is to his or her knowledge contacted by a former Bank officer in violation of this policy, the employee must notify the Bank's Ethics Officer—who must then notify appropriate contacts at the Board—and may not discuss official matters with or provide any information to the former officer that is not available to the general public, unless authorized to do so by Bank management. Current Bank employees are expected to exercise due diligence to confirm a non-employee's status under this policy before engaging in substantive communications with that individual. In performing his or her duties, a current employee may contact a former Bank officer to obtain information concerning work performed by the former officer while employed at the Bank.

8.2 Non-Public Information

Your duty to maintain the confidentiality of non-public information (**as defined in Section 3.2**) continues after your employment ends. You must leave all copies of the following types of information with the Bank when your employment ends:

- Bank documents
- Files
- Computer diskettes
- Reports and records containing non-public information

9.0 Disclosure Statements

So that the Bank can obtain information about circumstances that might constitute an actual or potential conflict of interest or a violation of applicable Bank policy or law, the following employees are required to file a disclosure statement as prescribed by the Bank at least annually:

- a. All officers
- b. Any employee

- Whose duties and responsibilities require that he/she participate personally and substantially in any supervisory matter, examination, application, investigation, etc. about a depository institution or any affiliate or subsidiary of a depository institution
- Whose duties and responsibilities require that he/she participate personally and substantially through decision making or the exercise of significant judgment in taking action about contracting or procurement;
- Who has authority to make an exception to established operating or internal control procedures
- Who has access to Class I FOMC information
- - a. Any manager or supervisor in a valuables handling area.
 - b. Any other employee upon request of the Bank's Ethics Officer

10.0 Violations

10.1 Reporting

You should report violations of this Code to the Bank's Ethics Officer. You should also report a violation that involves corruption, fraud, or theft, to the Bank's general auditor.

10.2 Disciplinary Action

If you violate any provision of this code, you are subject to disciplinary action up to and including termination of employment.

Standards of Conduct - Section C

Contents

Topic	Section
Accuracy and Quality of Work	1.0
Performance of Duties	2.0
Indebtedness	3.0
Use of Bank Property and Information	4.0
Crimes	5.0
Reports of Violations	6.0
Outside Employment	7.0
Reporting Relationships	8.0
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Honesty and Integrity

It is indispensable to proper functioning, and maintaining public confidence in the Bank and the Federal Reserve System that you perform your duties with honesty, integrity, and impartiality. You have a responsibility to the Bank and to the Federal Reserve System to avoid conduct which places private gain above your duties to the Bank, which gives rise to an actual or apparent conflict of interest, or which might result in a question about the independence of your judgment or your ability to satisfactorily perform the duties of your position. To ensure all of this, you shall respect and comply with the principles and standards of conduct in this policy.

Your Responsibility

It is your responsibility to become acquainted with the provisions of this policy and to understand fully the required standards of conduct. If you are in violation of these principles and standards of conduct, you will be subject to disciplinary action including suspension and dismissal. To help you meet these standards, the Bank has established the following principles of conduct and responsibility in addition to those specified in the Uniform Code of Conduct.

1.0 Accuracy and Quality of Work

1.1 Expectations

You are expected to perform work accurately and to follow prescribed procedures, guidelines, and controls. Compliance with prescribed controls is a key factor in evaluating your performance, and if you fail to comply, it could lead to disciplinary action up to and including termination. You are expected to maintain high standards of quality in your work, and you are expected to provide exemplary service to our customers, to our constituents, and to each other with emphasis on reliability and responsiveness.

2.0 Performance of Duties

2.1 Appearance

You shall refrain from any actions which might result in or create the appearance of:

1. using your position for private gain
2. According preferential treatment to any person
3. A loss of independence or impartiality in making decisions or recommendations
4. Making decisions outside official channels.

3.0 Indebtedness

3.1 Limited Borrowing

You should limit borrowing and purchasing on credit to prudent limits and within your ability to pay.

3.2 Borrowing from Other Staff Members Prohibited

You are prohibited from borrowing or lending to other employees except in nominal amounts. Furthermore, you may not be co-makers, sureties, guarantors, or endorsers of obligations for or with other employees. This subparagraph shall not apply to a husband and wife who are both employed by the Bank.

4.0 Use of Bank Property and Information

4.1 Staff Use

You are responsible for protecting all Bank property entrusted to you. Remember that the Bank's property includes the Banks Systems as defined in the Policy on Information Security. You are encouraged to read the Bank's Computer Systems & Information Assets Policy for further information about use of the Bank's electronic communication systems. From time to time, you may borrow certain Bank-owned equipment for non-Bank purposes under the procedures in Use of Bank Property Policy (910).

4.2 Protection

You are responsible for protecting the confidentiality, integrity, and accuracy of Bank information assets under your control as defined in Policies 120 and 611.

4.3 Property Inspection

Bank property is subject to inspection by Bank management at any time without notice. This includes:

- Offices
- Cubicles
- Desks
- Work areas
- Files
- Drawers
- Computer discs
- Electronic voice or data storage

Areas such as lockers that are available for securing personal property are subject to search by management at any time without notice to retrieve Bank property or to investigate misconduct such as possession of firearms or drugs. To ensure a safe and secure work environment the following are also subject to inspection:

- Handbags
- Briefcases
- Packages
- Other personal items, including personal correspondence received at the Bank's address.

5.0 Crimes

5.1 Federal Crimes

You should be aware that the following activities constitute Federal crimes:

- a. Embezzling funds from a Federal Reserve Bank (\$1,000,000 fine and/or 20 years imprisonment) (18 U.S.C. §656)
- b. Falsifying or concealing a material fact, making fraudulent statements, or using fraudulent documents in connection with a matter within the jurisdiction of a Federal Reserve Bank (\$10,000 fine and/or 5 years imprisonment) (18 U.S.C. §1001)
- c. Knowingly making false entries in a Federal Reserve book or statement (\$1,000,000 fine and/or 20 years imprisonment) (18 U.S.C. §1005)
- d. Accepting any fee, commission, or other thing of value for procuring or attempting to procure a loan or discount for a member bank (\$5,000 fine and/or 1 year imprisonment) (18 U.S.C. §214)
- e. Intentionally destroying, removing, or concealing any records from a Federal Reserve Bank (\$2,000 fine and/or 3 years imprisonment) (18 U.S.C. §2071)
- f. A bank examiner or assistant examiner accepting any gratuity or borrowing money from a State member bank or any person connected with a State member bank, or from bank holding companies or their nonbank subsidiaries (\$5,000 fine and/or 1 year imprisonment) (18 U.S.C. §213)
- g. A bank examiner or assistant examiner stealing from a member bank by (\$5,000 fine and/or 5 years imprisonment) (18 U.S.C. §655)
- h. Disclosing confidential information obtained in examinations (\$5,000 fine and/or 1 year imprisonment) (18 U.S.C. §1906)
- i. Robbing a Federal Reserve Bank or stealing funds from a Federal Reserve Bank by force, violence, or intimidation (\$5,000 fine and/or 20 years imprisonment) (18 U.S.C. §2113)
- j. Participating personally and substantially on behalf of the Bank in matters in which you, your spouse or minor child, your business associate, or a prospective employer has a financial interest unless exempted (\$50,000 fine and/or 5 years imprisonment) (18 U.S.C. §208) (See Appendix A).

5.2 Consequences

If you commit one of these crimes, participate in a theft, or participate in the falsification or unauthorized destruction of the Bank's records, you will be subject to dismissal and prosecution.

5.3 Investigation

If you are suspected of committing a criminal act, you are subject to a detailed investigation by Bank management. The primary responsibility for conducting the investigation lies with Bank management with the Legal Department serving in an advisory capacity. Nothing in this policy shall restrict the Audit function from taking action it considers appropriate under the circumstances.

5.4 Firearms Prohibition

Federal law prohibits certain disqualified individuals from possessing firearms and ammunition. Among the disqualified persons is anyone:

- Convicted of a felony
- Who unlawfully uses or is addicted to a controlled substance
- Dishonorably discharged from the armed forces
- Convicted of a misdemeanor crime of domestic violence (18 U.S.C § 922(g)).

To comply with this law, the Reserve Bank requires all personnel who carry firearms as part of their job to provide annual certifications that they are not in the class of persons prohibited from possessing firearms under federal law. In addition, the Reserve Bank will conduct criminal background checks on these employees once every 3 years. Any armed personnel who are prohibited from possessing a firearm will be subject to appropriate action including termination as determined by management.

6.0 Reports of Violations

6.1 Code of Ethics

In the Code of Ethics approved by the Congress of the United States in Concurrent Resolution 175--85th Congress, it is the stated duty of employees of the United States to "expose corruption wherever discovered." This Bank endorses that concept. If you know about a violation of the Bank's code of ethics, you are encouraged to report the violation to the Bank.

6.2 Criminal Activity

If you know about a robbery, theft, extortion, falsification of Bank records, unauthorized destruction of Bank records, or other criminal activity occurring at the Bank, but you don't report it, you will be subject to dismissal and/or prosecution.

6.3 Robbery

If you have knowledge of a robbery, an attempted robbery, or extortion of the Bank through intimidation or duress of a director, other employees, or their family members, you should promptly report this information to the Bank.

6.4 Reports

You should make reports as appropriate under the circumstances to:

- Your supervisor
- Your manager
- Your officer in charge
- Other Bank personnel.

7.0 Outside Employment

7.1 Outside Activities

You may engage in outside activities, including employment, if it is compatible with full and proper discharge of your assigned duties and responsibilities at the Bank. However, you should not:

- a. Accept any employment at a depository institution, holding company, or affiliate of such an institution, or non-depository financial organization.
- b. Accept any employment which creates or appears to create a conflict with your duties with the Bank.
- c. Accept outside employment which tends to impair your mental or physical capacities to perform assigned Bank duties in an acceptable manner.
- d. Receive a salary or anything of monetary value from a private source as compensation for services rendered in the course of assigned duties with the Bank.

A full-time employee of the Bank must request permission to obtain outside employment during off-duty hours. The request should be processed in accordance with the Personnel Manual.

8.0 Reporting Relationships

8.1 Reporting Expectations

You should report to your department officer any known changes in status, such as marriage, adoption, employment, or promotion of relatives which result in your becoming related to an employee of a depository institution, holding company, or affiliate of such an institution, non-depository financial organization, or a Federal Reserve Bank. Approvals of these relationships should be processed in accordance with the Personnel Manual.

9.0 Procurements

9.1 Procurement of Goods and Services

Departments seeking to acquire goods or services should contact the Procurement Unit for assistance in complying with Bank policies. Departments seeking to acquire construction-related goods or services should contact Facilities Management in Atlanta.

Bank Policies

- Contracting Procedures (405)
- [Expense Policy \(408\)](#)
- [Acquisition Procedures \(410\)](#)

- [Bank Owned Credit Card and Purchasing Cards \(414\)](#)
- [District Automation Guidelines \(610\)](#)

Standards of Conduct - Appendix A

Introduction

This appendix contains a summary of significant parts of the federal conflicts of financial interest regulations (5 CFR Parts 2635 and 2640) as modified for the Bank. It provides additional detail about:

- The conflict of interest rule in **(Section 5.2)** of the Code
- The rule on seeking other employment in **(Section 6)** of the Code.

Note: You can get a copy of the complete regulations from the Legal department or the Ethics Officer.

Part I: Disqualifying Financial Interests

Introduction - Part One discusses disqualifying financial interests.

Contents

Topic	Section
Statutory Prohibition	1.1
Definitions	1.2
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Divestiture of a Disqualifying Financial Interest	1.5
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1.1 Statutory Prohibition

Overview

You are prohibited by federal criminal law [18 U.S.C. § 208(a)] from participating personally and substantially in an official capacity in any particular matter in which to your knowledge, you or any

person whose interests are imputed to you under the statute, has a financial interest if the particular matter will have a direct and predictable effect on that interest.

1.2 Definitions

Introduction

The following definitions apply for purposes of this part.

Direct and Predictable Effect

A particular matter ¹ has a direct effect on a financial interest if there is a close causal link between any decision or action in the matter and any expected effect of the matter on the financial interest. An effect may be direct even though it does not occur immediately. However, a particular matter will not have a direct effect on a financial interest if the chain of causation is attenuated or contingent on the occurrence of an event that is speculative or that is independent of and unrelated to the matter. A particular matter that has an effect on a financial interest only as a consequence of its effect on the general economy does not have a direct effect within the meaning of this paragraph.

Note¹: If a particular matter involves a specific party, the matter generally will only have a direct and predictable effect on the financial interest of the employee in or with the party, for example where the employee owns stock in the party. However, there may be some situations in which a particular matter will have a direct and predictable effect on an employee's financial interests in or with a non-party. For example, if the party is a corporation, a particular matter also may have a direct and predictable effect on an employee's financial interest because he/she owns stock in an affiliate of the party. Similarly, the award of a contract to a particular company may also have a direct and predictable effect on an employee's financial interest in another company such as a subcontractor or a competitor.

A particular matter will have a predictable effect if there is a real, as opposed to a speculative possibility, that the matter will affect the financial interest. However, it is not necessary that the size of the gain or loss be known, and the dollar amount of the gain or loss is immaterial.

Example 1:

An employee with procurement responsibilities has just been asked to serve on the evaluation panel to review proposals for a new Research Library computer search system. DEF Computer Corporation, a closely held company in which the employee and his wife own stock, has submitted a proposal. Because award of the systems contract to DEF or to any other offer or will have a direct and predictable effect on both his and his wife's financial interests, the employee may not participate on the evaluation panel unless he requests and receives a waiver or unless an exemption applies.

Example 2:

When the employee in Example 1 is assigned to the evaluation panel, he finds that DEF Computer Corporation has not submitted a proposal. However, LMN Corp., a competitor of DEF, is one of the offerors. The employee is not disqualified from serving on the evaluation panel. Any effect on the employee's financial interests as a result of the decision to award or not award the contract to LMN at most would be indirect and speculative.

Financial Interest

Financial interest means the potential for gain or loss to an employee or other person specified in paragraph 2(c) as a result of Bank action on a particular matter. The financial interest might arise from owning certain financial instruments or investments such as a stock, bond, mutual fund, or real estate. Additionally, a financial interest might derive from a salary, indebtedness, job offer, or any similar interest that may be affected by the matter.

Imputed Interests

For purposes of the federal criminal law and this part, the financial interests of any of the following persons will disqualify an employee to the same extent as if they were the employee's own interests:

- The employee's spouse
- The employee's minor child
- The employee's general partner
- An organization or entity in which the employee serves as
 - o Officer
 - o Director
 - o Trustee
 - o General partner, or
 - o Employee.

Example 1:

An employee of the Department of Education serves without compensation on the board of directors of Kinder World, Inc., a nonprofit corporation that engages in good works. Even though her personal financial interests will not be affected, the employee must disqualify himself/herself from participating in the review of a grant application submitted by Kinder World. Award or denial of the grant will affect the financial interests of Kinder World, and its financial interests are imputed to the employee as a member of Kinder World's board of directors.

Example 2:

The spouse of an employee of the Food and Drug Administration works for a biomedical research company that is seeking FDA approval for a new product. The employee ordinarily would be asked to

participate in the FDA's review and approval process. The employee's spouse is a salaried employee and has no direct ownership interest in the company. Moreover, she does not have an indirect ownership interest such as an interest in a pension plan that holds stock in the company. Her position with the company is such that the granting or withholding of FDA approval will not have a direct and predictable effect on her salary or on her continued employment with the company. Since the FDA approval process will not affect his spouses financial interests, the employee may participate in that process.²

Note²: Note that the Code of Conduct does not apply to FDA employees. If the example had involved a Bank employee, the employee would have needed to consult with the Bank's Ethics officer before participating in the review and approval process, since the employee's participation might have resulted in the appearance of a conflict of interest, contrary to **(Section 5.1)** of the Code.

Particular Matter

A particular matter is a matter that involves deliberation, decision, or action that focuses on the interests of a specific person or a discrete and identifiable class of persons. Such a matter is covered by the federal conflict of interest regulations even if it does not involve formal parties, and may include governmental action such as legislation or policy-making that is narrowly focused on the interests of a discrete and identifiable class of persons. However, the term "particular matter" does not extend to the consideration or adoption of a broad policy option that is directed to the interests of a large and diverse group of persons. The particular matters covered by the federal conflict of interest regulations include a judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, charge, accusation, or arrest.

Example 1:

An employee's evaluation of proposals received in response to a Request for Proposal is a particular matter. An employee's review of an application filed by a bank holding company also is a particular matter.

Example 2:

Consideration by the Interstate Commerce Commission of regulations establishing safety standards for trucks on interstate highways involves a particular matter.

Personal and Substantial

To participate "personally" means to participate directly. It includes the direct and active supervision of a subordinate's participation in the matter. To participate substantially means that the employee's involvement is of significance to the matter. Participation may be substantial even though it doesn't determine the outcome of a particular matter. However, it requires more than official responsibility, knowledge, perfunctory involvement, or involvement on an administrative or peripheral issue.

Substantiality should be based not only on the effort devoted to a matter, but also on the importance of the effort. While a series of peripheral involvements may be insubstantial, the single act of approving or participating in a critical step may be substantial. Personal and substantial participation may occur when, for example, an employee participates through:

- Decision
- Approval
- Disapproval
- Recommendation
- Investigation, or
- Rendering advice in a particular matter

1.3 Disqualification

Introduction

Unless the employee is authorized to participate in the particular matter by virtue of a waiver described in **paragraph (4)** of this part or because the interest has been divested in accordance with **paragraph (5)** of this part, an employee must disqualify himself/herself from participating in a particular matter in which, to the his/her knowledge, he/she, or a person whose interests are imputed to him/her, has a financial interest, if the particular matter will have a direct and predictable effect on that interest. Disqualification is accomplished by not participating in the particular matter.

Notification

An employee who:

- Becomes aware of the need to disqualify himself/herself from participating in a particular matter should notify the person responsible for his/her assignment or the Bank's Ethics Officer.
- Is responsible for his/her own assignment should take whatever steps are necessary to ensure that he/she does not participate in the matter from which he/she is disqualified.

The employee or a supervisor may notify coworkers orally or in writing of the employee's disqualification to ensure that he/she is not involved in a matter from which he/she is disqualified.

Documentation

An employee doesn't need to file a written disqualification statement unless asked to do so by the Bank's Ethics Officer or a supervisor. However, an employee may elect to create a record of his/her actions by providing written notice to a supervisor or other appropriate officer.

1.4 Waiver of Disqualification

Introduction

An employee who would otherwise be disqualified, may be permitted to participate in a particular matter where the otherwise disqualifying financial interest is exempt (see Part II of this appendix) where the interest is the subject of an individual waiver described in this paragraph, or where the interest results from certain Indian birthrights as described in 18 U.S.C. § 208(b)(4).

Individual Waiver

An individual waiver may be requested pursuant to 18 U.S.C. § 208(b)(1). Before the employee participates, he/she must advise the officer responsible for his/her appointment (or other officer to whom authority to issue such a waiver for the employee has been delegated) about the nature and circumstances of the particular matter and the his/her role in the matter; and make full disclosure to the officer about the nature and extent of the disqualifying financial interest.

If . . .	Then . . .
The officer determines that the employee's financial interest in the particular matter is not so substantial as to be considered likely to affect the integrity of the services which the Bank may expect from the employee	The officer may issue a written waiver to the employee.

1.5 Divestiture of a Disqualifying Financial Interest

Introduction

When the employee sells or disposes of the interest that disqualifies him/her from participating in a particular matter, then he/she may participate in the matter.

Voluntary Divestiture

An employee who otherwise would be disqualified from participating in a particular matter may voluntarily sell or otherwise dispose of the interest that causes the disqualification.

Directed Divestiture

An employee may be required to sell or otherwise dispose of the disqualifying financial interest if the continued holding of that interest is prohibited by **(Section 5)** of the Code or substantially interferes with his/her ability to perform his/her job.

1.6 Official Duties that Give Rise to Potential Conflicts

Overview

When an employee's duties create a substantial likelihood that the he/she may be assigned to a particular matter from which he/she is disqualified, he/she should advise his/her supervisor or the Bank's Ethics Officer of that potential so that a conflicting assignment can be avoided.

Part II: Exemptions Pursuant to 18 U.S.C. § 208 (b)(2)

Introduction

Part II discusses exemptions pursuant to 18 U.S.C. § 208 (b)(2).

Contents

Topic	Section
Definitions	2.1
Exemption for Interest in Mutual Fund, Unit Investment Trust, and Employee Benefit Plan	2.2
Exemption for Interest in Securities	2.3
Exemption for Financial Interests Arising from Federal Government or Bank Employment or from Social Security or Veterans Benefits	2.4

2.1 Definitions

Introduction

For purposes of this part, the following definitions apply.

Diversified

Means that a fund, trust, or plan does not have a stated policy of concentrating its investments in any

- Industry
- Business
- Single country other than the United States, or
- Bonds of a single state within the United States.

In the case of an employee benefit plan, diversified means that the plan's trustee has a written policy of varying plan investments.

Long-Term Federal Government Security

Means a bond or note except a U.S. Savings bond with a maturity of more than one year issued by the

United States Treasury pursuant to 31 U.S.C. Chapter 31.

Municipal Security

Direct obligation of or obligation guaranteed as to principal or interest by

- A state (or any of its political subdivisions, or any municipal corporate instrumentality of one or more states)
- The District of Columbia
- Puerto Rico
- The Virgin Islands, or
- Or any other possession of the United States.

Mutual Fund

Entity which is registered as a management company under the Investment Company Act of 1940, as amended (15 U.S.C. §§ 80a-1 et seq.). Mutual fund includes open-end and closed-end mutual funds and registered money market funds.

Sector Mutual Fund

Mutual fund that concentrates its investments in an industry, business, single country other than the United States, or bonds of a single state within the United States.

Short-Term Federal Government

Security Bill with a maturity of one year or less issued by the United States Treasury pursuant to 31 U.S.C. chapter 31.

[2.2 Exemption for Interest in Mutual Fund, Unit Investment Trust, and Employee Benefit Plan](#)

Diversified Mutual Fund and Unit Investment Trust

An employee may participate in a particular matter affecting holdings of a diversified mutual fund or a diversified unit investment trust where the disqualifying financial interest in the matter arises because of the ownership of an interest in the fund or trust.

Example: An employee owns shares worth \$60,000 in several mutual funds whose portfolios contain stock in a nationally known computer company. Each fund prospectus describes the fund as a management company, but does not characterize the fund as having a policy of concentrating its investments in any particular industry, business, single country (other than the U.S.) or bonds of a single state. The employee may participate in a matter affecting the computer company.

Sector Mutual Fund

An employee may participate in a particular matter affecting holdings of a sector mutual fund where the affected holding is not invested in the sector in which the fund concentrates, and where the disqualifying financial interest in the matter arises because of ownership of an interest in the fund and;

1. The affected holding is not invested in the sector in which the fund concentrates; or
2. The aggregate market value of interests in any sector fund or funds does not exceed \$50,000.

For purposes of calculating the \$50,000 de minimis amount, an employee must aggregate the market value of all sector mutual funds in which he/she has a disqualifying interest and that concentrate in the same sector and have one or more holdings that may be affected by the particular matter.

Example 1:

A Bank employee owns shares in a mutual fund that expressly concentrates its holdings in the stock of utility companies. In addition to holdings in utility companies, the fund contains stock in certain regional banks and bank holding companies whose financial interests would be affected by a matter in which the employee would participate. The employee is not disqualified from participating in the matter because the banks and bank holding companies that would be affected are not part of the sector in which the fund concentrates.

Example 2:

An analyst is assigned at the Federal Reserve Board's request to help draft standards for approving loan guarantee application for the Air Transportation Stabilization Board. The analyst owns \$35,000 worth of shares in XYZ Global Transportation Fund, a sector mutual fund invested primarily in shipping firms and airlines. The analyst may participate in drafting the standards. If the analyst's spouse also owns \$40,000 worth of shares in ABC Specialized Portfolios: Transport, a sector mutual fund that focuses on the same sector, and if both funds contain holdings that may be affected by the particular matter, the analyst may not rely on the \$50,000 de minimis exemption.

Employee Benefit Plan

An employee may participate in:

1. A particular matter affecting holdings of an employee benefit plan where the disqualifying financial interest in the matter arises from membership in;
 - a. The Thrift Savings Plan for Federal Employees described in 5 U.S.C. § 8437
 - b. A pension plan established or maintained by a state government or any political subdivision of a state government for its employees; or

- c. A diversified employee benefit plan, provided
 - i. The investments of the plan are administered by an independent trustee, and the employee or other person specified in section 208(a) does not participate in the selection of the plans investments or designate specific plan investments (except for directing that contributions be divided among several different categories of investments, such as stocks, bonds, or mutual funds, which are available to plan participants) and
 - ii. The plan is not a profit-sharing or stock bonus plan.
- 2. A particular matter of general applicability, such as rulemaking, affecting the state or local government sponsor of a state or local government pension plan described in paragraph **2(C)(1)(b)** where the disqualifying financial interest in the matter arises because of participation in the plan.

2.3 Exemption for interest in Securities

De Minimis Exemptions for a Matter Involving Parties

An employee may participate in a particular matter involving specific parties where the disqualifying financial interest arises from ownership by the employee, his/her spouse, or minor children of securities issued by one or more entities affected by the matter, if:

1. The securities are publicly traded³ or are long-term federal government securities or municipal securities; and
2. The aggregate market value of the holdings of the employee, his spouse, and minor children in the securities of all entities does not exceed \$15,000.

Example: A Bank employee owns \$10,000 worth of publicly traded stock in a major office equipment manufacturer, EQP Corp. The employee may evaluate the proposals submitted by EQP Corp. and others in response to an RFP. If the employee's spouse also owns \$6,000 worth of EQP Corp. stock, the employee may not evaluate the proposals unless he requests it and is granted a waiver.

Note³: Securities issued by Government Sponsored Enterprises such as Freddie Mac are not eligible for the exemptions in paragraphs 3(A)-(C) because they are not publicly traded.

De Minimis Exemption for Matters Affecting Nonparties⁴

An employee may participate in a particular matter involving specific parties in which the disqualifying interest arises from the ownership by the employee, his spouse, or minor children of securities issued by one or more entities that are not parties to the matter but that are affected by the matter if;

1. The securities are publicly traded or are long-term federal government or municipal securities; and
2. The aggregate market value of the holdings of the employee, his spouse, and minor children in the securities of all affected entities (including securities exempted under subparagraph (A) of this section) does not exceed \$25,000.

Note⁴: See **footnote 1** of this appendix for examples of particular matters that may affect nonparties, such as affiliates or competitors of parties.

De Minimis Exemption for a Matter of General Applicability

An employee may participate in a particular matter of general applicability, such as rulemaking, where the disqualifying financial interest arises from ownership by the employee, his or her spouse, or minor children of securities issued by one or more entities affected by the matter if:

1. The securities are publicly traded or are municipal securities, the market value of which does not exceed:
 - a. \$25,000 in any one such entity; and
 - b. \$50,000 in all affected entities; or
2. The securities are long-term federal government securities, the market value of which does not exceed \$50,000.

Note:

For purposes of this subparagraph (C), the value of securities owned by the employee, his/her spouse, and minor children must be aggregated.

Exemption for Certain Federal Government Securities

An employee may participate in a particular matter where the disqualifying financial interest arises from ownership of short-term federal government securities or from U.S. Savings Bonds.

Exemption for Interests of Tax-Exempt Organizations

An employee may participate in a particular matter where the disqualifying financial interest arises from owning publicly traded or municipal securities or long-term federal government securities by an organization which is tax-exempt pursuant to 26 U.S.C. § 501(c)(3) or (4), and of which the employee is an unpaid officer, director, trustee, or employee if the;

1. Matter affects only the organization's investments, not the organization directly

2. Employee plays no role in making investment decisions for the organization except participating in the decision to invest in several different categories of investments such as stocks, bonds, or mutual funds
3. Organization's only relationship to the issuer, other than that which arises from routine commercial transactions, is that of an investor.

Example:

An employee is a director of the National Association to Save Trees (NAST), an environmental organization that is tax-exempt under **(Section 501(c)(3))** of the Internal Revenue Code. The employee knows that NAST has an endowment fund that is partially invested in the publicly traded stock of Computer, Inc. The employee's position at the Bank involves procuring computer software, including software sold by Computer, Inc. The employee may participate in procuring software from Computer, Inc. provided she is not involved in selecting NAST's investments, and provided NAST has no relationship to Computer, Inc. other than as an investor in the company and routine purchaser of Computer, Inc. software.

Exemption for Certain Interests of General Partner

An employee may participate in any particular matter where the disqualifying financial interest arises from:

1. The ownership of publicly traded securities, long-term federal government securities, or municipal securities by the employee's general partner if;
 - a. Ownership of the securities is not related to the partnership between the employee and the general partner, and
 - b. The value of the securities does not exceed \$200,000, or
2. An interest of the employee's general partner, if the employee's relationship to the general partner is as a limited partner in a partnership that has at least 100 limited partners.

[2.4 Exemption for Financial Interests Arising from Federal Government or Bank Employment or from Social Security or Veterans Benefits](#)

Overview

An employee may participate in any particular matter where the disqualifying financial interest arises from federal government or Federal Reserve Bank salary or benefits, or from Social Security or veterans benefits, except that an employee may not:

- a. Make a determination that individually or specially affects the employee's own salary and benefits; or
- b. Make a determination, request, or recommendation that individually or specially relates to, or

affects, the salary or benefits of any other person specified in 18 U.S.C. § 208.

Direct and Predictable Effect and Particular Matter

The terms have the meanings set forth in [Part I](#) of this appendix about Disqualifying Financial Interests.

Part III: Seeking Other Employment

Introduction

Part III discusses seeking other employment.

Contents

Topic	Section
Overview	3.1
Definitions	3.2
Disqualification While Seeking Employment	3.3
Waiver or Authorization Permitting Participation While Seeking Employment	3.4
Disqualification Based on an Arrangement concerning Prospective Employment or Otherwise after Negotiations	3.5

[3.1 Overview](#)

Introduction

An employee who seeks other employment or has an arrangement for prospective employment must comply with the applicable disqualification requirements of this part if his Bank duties would affect the financial interests of the prospective employer or the person with whom he has an arrangement concerning prospective employment.

[3.2 Definitions](#)

Direct and Predictable Effect and Particular Matter

Have the meanings set forth in Part I of this appendix about Disqualifying Financial Interests.

Employment

Any form of non-Bank employment or business relationship involving the provision of personal services by the employee, whether undertaken at the same time as or after Bank employment, even if the employee is not compensated for the services. It includes but is not limited to personal services as an;

- Officer
- Director
- Employee
- Agent
- Attorney
- Consultant
- Contractor
- General partner
- Trustee

Prospective Employer

Any person with whom the employee is seeking employment. Where a contact that constitutes seeking employment is made by or with an agent or other intermediary, the term prospective employer includes:

1. The person using the agent or other intermediary to try to hire the employee, provided the agent identifies the prospective employer to the employee; and
2. A person contacted by the employee's agent or other intermediary to try to seek a job offer for the employee if the agent identifies the prospective employer to the employee.

Example:

An examiner has retained an employment search firm to help him find another job. The search firm has just reported to him that it has given his resume to and had promising discussions with two bank holding companies in the District. Even though the employee has not personally had employment discussions with either, each bank holding company is his/her prospective employer. He began seeking employment with each when he learned its identity and that it has been given his resume.

Seeking Employment

An employee has, directly or indirectly:

1. Engaged in negotiations for employment with any person. Negotiations mean discussing or communicating with another person, or that person's agent or intermediary, mutually conducted with a view toward reaching an agreement about possible employment with that

person. The term is not limited to discussions of specific terms and conditions of employment in a specific position.

2. Made an unsolicited communication to any person or that person's agent or intermediary about possible employment with that person. However, the employee has not begun seeking employment if that communication was for the:
 - a. Sole purpose of requesting a job application
 - b. Purpose of submitting a resume or other employment proposal to a person affected by the performance or nonperformance of the employee's duties only as part of an industry or other discrete class. The employee is considered to have begun seeking employment when he/she receives any response indicating an interest in employment discussions.
3. Made a response other than rejection to an unsolicited communication from any person or that person's agent or intermediary about possible employment with that person.

Example:

An employee in the Check Collection Department has mailed his resume to 25 commercial banks. He has not begun seeking employment with any of the 25.

If . . .	Then . . .
He receives a response from one of the commercial banks indicating an interest in employment discussions	The employee will have begun seeking employment with that bank at that time.

Not Seeking Employment - An employee is no longer seeking employment when:

1. The employee or the prospective employer rejects the possibility of employment and all discussions of possible employment have terminated.
2. Months have transpired after the employee sent an unsolicited resume or employment proposal, and the employee has received no indication of interest in employment discussions from the prospective employer. A response that defers discussions until the foreseeable future does not constitute rejection of an unsolicited employment proposal nor rejection of a prospective employment possibility.

Example 1:

An employee with procurement responsibilities is complimented by a vendor's representative who asks her to call if she is interested in leaving the Bank. The employee explains to the vendor that she is very happy with her job at the Bank and is not interested in another job. She thanks him for the compliment and adds that she will remember his interest if she ever decides to leave the Bank. The employee has rejected the unsolicited employment overture and has not begun seeking employment.

Example 2:

The employee in the preceding example responds by stating that she cannot discuss future employment while she is working on a project affecting the vendors' relationship with the Bank but would like to discuss employment when the project is completed. Because the employee has merely deferred employment discussions until the foreseeable future, she has begun seeking employment.

Example 3:

An economist responsible for reviewing certain bank holding company applications sends his resume to a bank holding company in the District. The employee has begun seeking employment with that company and will be seeking employment for two months from the date the resume was mailed. However, if he withdraws his application or is notified within the two-month period that his resume has been rejected, he will no longer be seeking employment with the company as of the date he makes the withdrawal or receives the notification

3.3 Disqualification While Seeking Employment

Obligation to Disqualify

Unless the employee's participation is authorized in accordance with paragraph 4 of this part, the employee must not participate in a particular matter that to his/her knowledge, has a direct and predictable effect on the financial interests of a prospective employer with whom he/she is seeking employment. Disqualification is accomplished by not participating in the particular matter.

Notification

An employee who becomes aware of the need to disqualify himself/herself from participating in a particular matter should notify the person responsible for his/her assignment or the Bank's Ethics Officer. An employee who is responsible for his/her own assignment should take whatever steps are necessary to ensure that he/she does not participate in the matter from which he/she is disqualified.

The employee or a supervisor may notify coworkers verbally or in writing to ensure that the employee is not involved in a matter from which he/she is disqualified.

Documentation

An employee need not file a written disqualification statement unless he/she is specifically asked to do so by the Bank's Ethics Officer or a supervisor. However, an employee may choose to create a record of his/her actions by providing written notice to a supervisor or other appropriate officer.

Bank Determination of Substantial Conflict

When the Bank determines that the employee's action in seeking employment with a particular person requires disqualification from a matter so central or critical to the performance of his/her duties that his/her ability to perform the duties of his/her position will be materially impaired, the Bank may take appropriate action including termination of employment.

[3.4 Waiver or Authorization Permitting Participation While Seeking Employment](#)

Waiver

When an employee is engaged in discussions that constitute seeking employment, he/she may participate in a particular matter that has a direct and predictable effect on the financial interest of a prospective employer only after receiving a written waiver issued under the authority of 18 U.S.C. § 208(b)(1). The requirements for a waiver are described in **(paragraph 4 of Part I)**.

Authorization by Bank

Where an employee is seeking employment and a reasonable person would be likely to question the employee's impartiality if the employee were to participate in a particular matter that has a direct and predictable effect on the financial interests of the prospective employer, the employee may participate in such matters only if the Bank has authorized his/her participation after consideration of all relevant factors including:

1. The nature of the relationship involved
2. The effect that resolution of the matter would have on the financial interests of the person in the relationship
3. The nature and importance of the employee's role in the matter including the extent to which he/she is called on to exercise discretion in the matter
4. The sensitivity of the matter
5. The difficulty of reassigning the matter to another employee
6. Adjustments that may be made in the employee's duties that would reduce or eliminate the likelihood that a reasonable person would question the employee's impartiality.

[3.5 Disqualification Based on an Arrangement concerning Perspective Employment or Otherwise after Negotiations](#)

Employment or Arrangement about Employment

An employee must not take any official action in a particular matter that will have a direct and predictable effect on the financial interests of the person by whom he/she is employed or with whom he/she has an arrangement about future employment, unless authorized to participate in the matter by a written waiver issued under the authority of 18 U.S.C. § 208(b)(1). The requirements for a waiver are described in **(paragraph 4 of part I of this appendix)**.

Offer Rejected or Not Made

The Bank may, as appropriate, determine that an employee who has sought but is no longer seeking employment shall nevertheless be subject to a period of disqualification when he/she concludes employment negotiations. Any such determination shall be based on a consideration of all the relevant factors and a determination that the concern that a reasonable person may question the integrity of the Bank's decision making process outweighs the Bank's interest in the employee's participation in the particular matter. Relevant factors are listed in **(paragraph 4-B)** of this part.

Example: An employee with purchasing responsibilities was relieved of responsibility for handling the evaluation of responses to an RFP while seeking employment with a bidder. The firm did not offer her employment. Even though she is no longer seeking employment with the firm, she may continue to be disqualified from evaluating the RFP responses based on the concern that a reasonable person might question whether she could act impartially in the matter.

[Standards of Conduct - Appendix B](#)

Introduction

This Appendix contains a description of the rules adopted by the Board of Governors (Board) that are applicable to examiners and also to other employees who participate in supervision or regulation matters other than examinations and inspections, such as an attorney or economist who reviews bank holding company applications or an employee who has a substantive role in discount/lending decisions, regardless of reporting relationships within the Bank.

Rules

The rules described in this Appendix are a condensed version of the rules in the document entitled Banking Supervision and Regulation Administrative Policy Statements [S-2611 dated July 15, 2002, which

is in Sections 5-035 and 5-041 of Part 5 of the Federal Reserve Administrative Manual (FRAM); and SR-05-26, dated December 8, 2005, regarding post-employment restrictions for senior examiners, which is set forth in Section 5-043 of FRAM]. For more detailed information, review the S-letter or FRAM.

Code of Conduct

The Board's rules supplement the Bank's Code of Conduct (Code). To the extent the Board's rules for employees covered in this appendix are more stringent than those in the Code, the Board's rules are to be followed.

Contents

Part 1 contains the rules for examiners; Part 2 contains the rules for other employees with substantive responsibilities relating to supervision or regulation matters.

Definitions

Term	Definition
Examine Examination	Refers both to examining a depository institution and to inspecting a bank holding company (including a financial holding company) or any non-bank subsidiary.
Supervisory Matter	Includes but is not limited to: <ul style="list-style-type: none"> • An application • Audit • Review (including report review) • Institution-specific analysis or surveillance • Enforcement action • Investigation • Credit review • Collateral analysis, or • Lending decision. However, supervisory matter does not include an examination.

Note:

An employee who needs assistance in interpreting the Board's rules or who desires additional information, for example about a waiver, should contact the Bank's Ethics Officer.

Part 1: Rules for Credentialed Staff

Introduction

The rules in this Part apply to all employees holding a Board-issued standard, special, temporary or ad hoc credential. However, paragraph 1(B), concerning prohibited borrowing relationships, applies only to employees holding a standard or special credential.

Contents

Topic	Section
Prohibited Borrowing	1.1
Instances Where Recusal Is Required	1.2
Recusal Based on Past Employment, Family Relationships, or Financial Interests	1.3
Acceptance of Meals and Gratuities	1.4

[Prohibited Borrowing](#)

A. Criminal Prohibition

It is a crime under federal law (18 U.S.C. § 213) for any examiner to accept a loan or gratuity from an institution the examiner has examined. It is also a federal crime (18 U.S.C. § 212) for an employee or director of a member bank or certain other institutions which an examiner examines or has authority to examine to grant a loan or gratuity to the examiner. Under these provisions, the term loan does not include any credit card account established under an open-end consumer credit plan or a loan secured by residential real property that is the principal residence of the examiner if:

1. The applicant satisfies any financial requirements for the credit card account or residential real property loan that are generally applicable to all applicants for the same type of credit card account or residential real property loan;
2. The terms and conditions applicable to such an account or residential real property loan, and any credit extended to the examiner under such account or residential real property loan are generally no more favorable to the examiner than those offered by the same financial institution to other borrowers or cardholders in comparable circumstances under open end consumer credit plans or for residential real property loans; and
3. With respect to residential property loans, the loan pertains to the primary residence of the applicant.

B. Borrowings Prohibited by the Federal Reserve System

This subsection concerns borrowings prohibited by the Federal Reserve System for employees holding standard or special credentials and covers:

- General prohibition
- Exceptions

- Waiver

B-1 General Prohibition

An examiner holding a standard or special credential may not borrow from, or hold a credit card issued by any entity for which the Federal Reserve System (System) is the primary supervisor¹ other than through certain credit cards or home mortgage loans (**see paragraph B(2)(a)** below). Debt incurred by the examiner's spouse or dependent child is attributed to the examiner for purposes of this prohibition unless the debt;

- a. Is supported solely by the income or independent means of the spouse or child.
- b. Was not provided on terms more favorable than those available to the public (i.e., was not offered or enhanced because of the examiner's position at the Bank), and
- c. Was not negotiated, endorsed, guaranteed or co-signed by the examiner.

An examiner may borrow from a national bank, state nonmember bank or savings and loan association even if it is an affiliate of a bank holding company or a state member bank. An examiner may also borrow from a functionally regulated subsidiary of a bank holding company, for example, an insurance or securities broker/dealer subsidiary.² In these cases, the borrowing will generally result in recusal from an examination or inspection of that entity or an affiliate of that subsidiary.

Note¹: The System is the primary supervisor for state member banks, bank holding companies, nonbank subsidiaries of a bank holding company (except thrift and functionally regulated subsidiaries), Edge and Agreement corporations, and state- licensed U.S. branches and agencies, and representative offices and nonbank subsidiaries of foreign banks having a U.S. banking presence.

Note²: Functionally regulated subsidiary means registered broker or dealer, registered investment advisor, investment company, insurance company, or entity engaged in commodities activities as these entities are defined by Section 5(c)(5) of the Bank Holding Company Act.

B-2 Exceptions

Exceptions apply to:

- (a) Credit cards and residential mortgage loans
- (b) Loan acquired
- (c) Preexisting debt

(A) Credit Cards and Residential Mortgage Loans

The prohibition in paragraph **B(1)** above shall not apply to any credit card account established under an open-end consumer credit plan or a loan (including a home equity line of credit) secured by residential real property that is the principal residence of the examiner, if the:

- a. Applicant satisfies any financial requirements for the credit card account or residential real property loan that are generally applicable to all applicants for the same type of credit card account or residential real property loan; and
- b. Terms and conditions applicable to such account or residential real property loan, and any credit extended to the examiner under such account or residential real property loan are no more favorable generally to the examiner than the terms and conditions offered to other cardholders or borrowers in comparable circumstances under open-end consumer credit plans or residential real property loans.

(B) Loan Acquired

If a debt that was permissible when it was originated becomes impermissible under paragraph **B(1)** above as a result of having been acquired by an institution for which the System is the primary supervisor, the debt may be retained if the:

- a. Debt is amortizing.
- b. Debt is not renewed, renegotiated or increased.
- c. Payments are current, and
- d. Examiner is restricted from examining the institution which currently holds the debt.

A loan originated at an entity for which the System becomes the primary supervisor as a result of a charter conversion, a change in membership, or merger is treated in the same manner as a loan acquired.

An examiner may not retain debt extended under a revolving line of credit, other than under a consumer credit card or home equity loan which is sold or transferred to, or acquired by an impermissible credit source. This debt must be eliminated or converted to an amortizing facility within six months after the date the examiner is notified of the sale or transfer of the debt.

(C) Preexisting Debt

An examiner may retain any debt that is prohibited under paragraph **B(1)** if it was incurred before he/she was appointed as an examiner so long as the;

- a. Debt is amortizing.
- b. Debt is not renewed, renegotiated, or increased.
- c. Payments are current.
- d. Examiner's credential specifically excludes authority to examine the creditor institution and any affiliate.
- e. Examiner does not participate in any examination of the institution or any affiliate, and
- f. Examiner indicates, in writing, that he/she understands and will comply with these conditions

while the debt is outstanding.

An examiner with other types of preexisting debt that are prohibited under paragraph **B(1)** such as credit extended under a revolving line of credit (other than a consumer credit card or home equity loan) or non-amortizing debt, must retire the debt or convert it to an amortizing facility within six months after he/she is appointed as an examiner. Until then, the:

- Debt may not be increased.
- examiner's credential must specifically exclude authority to examine the creditor institution and any affiliate, and
- Examiner may not examine the institution or any affiliate.

B-3 Waiver

The Board's director of the division of Banking Supervision and Regulation is authorized to waive the prohibitions described in paragraph **B(1)** above in certain limited circumstances. However, a waiver will rarely be given.

[1.2 Instances Where Recusal Is Required](#)

Overview

Instances where recusal is required include:

- A. Recusal from examinations and inspections based upon borrowing relationship/seeking credit.
- B. Recusal from supervisory matters (other than examination/inspection) based on borrowing relationship.
- C. Prohibition against seeking credit if handling supervisory matter (other than examination/inspection).

[1.2-A Recusal from Examinations and Inspections Based Upon Borrowing Relationship/Seeking Credit](#)

(1) Recusal Required

An examiner may not examine any entity, or an affiliate of any entity, from which the examiner or the examiner's spouse or dependent child, or a related entity³, is borrowing, leasing, or seeking credit.

Note³:

Functionally regulated subsidiary means registered broker or dealer, registered investment advisor, investment company, insurance company, or entity engaged in commodities activities as these entities are defined by **(Section 5(c)(5)** of the Bank Holding Company Act.

(2) Exceptions

An examiner may examine:

- a. Any entity, including any affiliate of such entity, from which the examiner, the examiner's spouse or dependent child has obtained a credit card in accordance with paragraph **1(B)(2)(a)** above.
- b. The affiliate of any entity from which the examiner, the examiner's spouse or dependent child:
 - i. Has a loan secured by residential real property in accordance with paragraph **1(B)(2)(a)** above;
 - ii. Has an overdraft protection line; or
 - iii. Is borrowing against the cash value of a life insurance policy.

Note:

The credit card, loan secured by residential real property, overdraft protection line, or insurance policy loan must not have been provided on terms more favorable than those available to the public.

Example 1:

An examiner has an overdraft protection line on his checking account at a national bank subsidiary of a bank holding company. The examiner may examine any affiliate of the national bank, including the parent bank holding company. However, as pointed out in paragraph **2(A)(1)** of this Part, the examiner may not examine the national bank.

Example 2:

Another example is borrowing against the cash value of a life insurance policy issued by an insurance subsidiary of a financial holding company. The examiner may participate in an examination or inspection of an affiliate that is supervised by the Federal Reserve.

(3) Servicing Relationships

An examiner may participate in an examination of, or a supervisory matter involving, an organization that services a loan of the employee or the employee's spouse or dependent child, unless the examiner knows the servicer has retained a financial interest in the underlying value of the credit.

(4) Waiver

In limited circumstances, the examiner's supervising officer, in consultation with the Bank's Ethics Officer, may provide written authorization for an examiner to examine an affiliate of an organization with which the examiner, his or her spouse, dependent child or a related entity has a borrowing relationship, although participation in the examination otherwise would be prohibited under paragraph **2(A)(1)** above.

1.2(B) Recusal from Supervisory Matters (Other Than Examination/Inspection) Based on Borrowing Relationship

(1) Recusal Requirement

An examiner may not participate in any supervisory matter involving an institution or any affiliate if the examiner, or the examiner's spouse or dependent child, or a related entity is indebted to the institution or any affiliate.

(2) Exceptions

- a. Recusal is not required if the debt was not extended on terms more favorable than those available to the public, all payments are current, and the debt is extended through a(n):
 - Line of credit extended through a credit card;
 - Amortizing consumer credit (including a first or second mortgage on a personal residence) or a home equity line of credit;
 - Overdraft protection line;
 - Student loan;
 - Car lease; or
 - Loan against the cash value of an insurance policy.
- b. In addition, recusal is not required with respect to any debt of the examiner's spouse or dependent child, or a related entity of the spouse or dependent child if the:
 - Debt is the sole responsibility of the spouse, child or related entity, and is not derived from the examiner's income, assets or activities; and,
 - Examiner has no knowledge of the identity of the lender.

Example:

The following illustrates how the recusal standards described in paragraphs **2(A)** and **2(B)** are based on the type of assignment, rather than if the person is credentialed.

An examiner with a student loan from a national bank may not participate in an examination of the bank, its parent or any affiliate as such participation would violate System policy and could be a violation of criminal law. On the other hand, System policy allows the examiner to be assigned to handle a supervisory matter concerning the bank, the parent company or an affiliate, so long as payments on the student loan with the national bank are current, and it was obtained on terms not more favorable than those available to the public. If, instead, the examiner has a business loan with the bank, System policy requires that the examiner be restricted from handling any supervisory matter involving the bank, the parent company or an affiliate.

1.2(C) Prohibition against Seeking Credit if Handling Supervisory Matter (Other Than Examination/Inspection)

(1) General Prohibition

An examiner may not, on his or her own behalf, or on behalf of anyone else, seek or accept a loan from, or renew or renegotiate a loan with, an institution or any affiliate if the examiner is working on or knows he or she will be assigned a supervisory matter which involves the institution or any affiliate.

Furthermore, an examiner must disqualify himself or herself from handling a supervisory matter involving an institution or any affiliate if the examiner learns that his or her spouse or dependent child or a related entity is seeking or has sought or accepted a loan from, or has renewed or renegotiated a loan with the institution or any affiliate while the matter is pending before the Bank or the Board.

The foregoing prohibitions continue for three months after the examiner's participation in the matter ends.

(2) Exceptions

These prohibitions do not apply to:

- i. Obtaining or using a credit card
- ii. Borrowing against the cash value of a life insurance policy, or
- iii. An overdraft protection plan.

Note:

The credit card, overdraft protection line, or insurance policy loan must not have been provided on terms more favorable than those available to the public.

(3) Waiver

A written waiver from the prohibitions of this paragraph **2(C)** may, in some limited circumstances, be obtained from the examiner's supervising officer, in consultation with the Bank's Ethics Officer.

[1.3 Recusal Based Upon Past Employment, Family Relationships, or Financial Interests](#)

(A) Past Employment

An examiner may not examine, or participate in a supervisory matter involving, an institution or any affiliate if the examiner was employed by the institution within the preceding 12 months. The examiner's supervising officer, in consultation with the Bank's Ethics Officer, may determine that recusal should be required for a longer period.

(B) Continuing Participation in Pension/ Retirement Plan

If an examiner continues to participate in a pension or retirement plan obtained through prior employment at an institution or any affiliate, the examiner may not participate in;

- An examination of that institution or any affiliate
- A supervisory matter involving the institution or any affiliate unless the examiner receives a written opinion from the Bank's General Counsel authorizing such participation.

(C) Family Relationships

An examiner may not examine an institution or any affiliate, or participate in a supervisory matter involving the institution or any affiliate if the examiner's spouse, child, parent, or sibling is employed by the institution or any affiliate. The examiner's supervising officer, in consultation with the Bank's Ethics Officer, may require recusal in other situations that might give rise to an appearance of a conflict of interest--for example, if the examiner's sister-in-law is employed by the institution.

(D) Financial Interests

Under Section 5.2 of the Code and federal criminal law (18 U.S.C. § 208), a Bank employee is prohibited from participating personally and substantially in an official capacity in any particular matter in which, to the employee's knowledge, the employee has a financial interest if the particular matter will have a direct and predictable effect on that interest. Participation in a particular matter may include making a decision or recommendation, providing advice, or taking part in an investigation. **(See Section 5.2)** and **Appendix A** of the Code for more information.

Example 1:

An examiner may not participate in the review of a credit file during an examination, inspection, or a shared national credit examination, if the examiner or the examiner's spouse, minor child, general partner, or any organization for which the examiner serves as an employee, director or trustee, has a financial interest in the borrower, or if the examiner is negotiating for or has an agreement concerning future employment with the borrower.

An insurance policy may be a financial interest under the Federal conflicts of interest statute and an examiner holding an insurance policy should not participate in any particular matter affecting a company that issued the policy unless the examiner's participation is approved in advance and in writing by the Reserve Bank's legal department.

Example 2:

An examiner who has an insurance policy from an insurance subsidiary of a financial holding company is generally permitted to examine an affiliate. However, cases may arise that require an examiner to recuse himself from all matters involving the financial holding company or its affiliates.

For Example:

Recusal may be appropriate if an examiner is filing or appealing a claim under the policy or if the insurance company is experiencing financial difficulties. Such situations should be discussed with the Bank's Ethics Officer to determine if recusal is appropriate.

(E) Waiver

In certain cases, the prohibitions described in paragraphs **3(A)** and **3(C)** may be waived by the examiner's supervising officer, in consultation with the Bank's Ethics Officer. The prohibition described in paragraph **3(D)** may be waived only in accordance with the federal statute, and the examiner should consult with the Bank's Ethics Officer if such a waiver is desired.

1.4 Acceptance of Meals and Gratuities

(A) Gifts or Meals from Examined Entity

Notwithstanding anything to the contrary in the Code, under federal criminal law an examiner may not accept a gift from an entity that the examiner examined. As a matter of policy, the Board has decided that an examiner may not accept a gift or meal from an entity that the examiner has examined, examines, or is authorized to examine. However, an examiner may:

1. Eat in the entity's cafeteria provided he or she pays for the meal at the rate charged the general public.
2. Accept refreshments such as soft drinks, coffee and donuts offered other than as part of a meal.
3. Accept items with little intrinsic value, such as a pen or calendar, provided such items are also offered to the general public.

(B) Gifts or Meals from Other Covered Sources

All Bank employees are subject to the provisions in the Code concerning acceptance of gifts and meals from covered sources. Under the Code, the term covered source includes other entities in addition to institutions subject to examination by the System (**See Section 5.4 of the Code**).

(C) Exceptions

The Code provides limited exceptions under which an employee may accept a gift or meal from a covered source. However, an examiner may never use the \$20 de minimis exception (**see Section 5.4(A)(2)(i)** of the Code) to accept a gift or a meal from an institution for which the System is the primary supervisor (see **footnote 1** to this Appendix). An examiner may accept a gift or a meal from a covered source pursuant to one of the other exceptions, provided that the covered source is not an entity that the examiner is examining, has examined, or is authorized to examine.

Example:

An examiner's spouse is a loan officer at a state member bank. The examiner has never examined the bank, and will not be authorized to examine the bank as long as her spouse is employed by the bank. The examiner may accompany her spouse to the commercial bank's annual dinner dance for its employees and their guests pursuant to (**Section 5.4(A)(2)(a)(iv)** of the Code).

1.5 Special Post-Employment Restriction

(A) Coverage

An examiner who has served as the "senior examiner" for a state member bank, bank holding company, or foreign bank for two or more months during the examiner's final twelve months of employment with the Bank may not knowingly accept compensation as an employee, officer, director, or consultant from such state member bank, bank holding company, or foreign bank, or from certain related entities, for one year following the termination of the examiner's employment with the Bank.

(B) Definitions

An "examiner" is considered to be a "senior examiner" for a particular state member bank, bank holding company, or foreign bank if the examiner meets all of the following criteria:

1. The examiner has been authorized by the Board to conduct examinations or inspections on behalf of the Board;
2. The examiner has been assigned continuing, broad, and lead responsibility for examining or inspecting that state member bank, bank holding company, or foreign bank; and
3. The examiner's responsibilities for examining, inspecting, and supervising the state member bank, bank holding company, or foreign bank:
 - a. Represent a substantial portion of the examiner's assigned responsibilities; and
 - b. Require the examiner to interact routinely with officers or employees of the state member bank, bank holding company, or foreign bank or their respective affiliates.

By "related entities," this restriction means:

1. With respect to a state member bank, a subsidiary of the state member bank or a company that controls the state member bank;
2. With respect to a bank holding company, any depository institution controlled by the bank holding company, including any subsidiary of the depository institution; and
3. With respect to a foreign bank, any United States branch or agency of the foreign bank or any United States depository institution controlled by the foreign bank (including any subsidiary of the depository institution).

(C) Limited Application of Restriction

This restriction on post-employment does not apply to an examiner who performs only periodic, short-term examinations of a depository institution or holding company and who does not have ongoing, continuing responsibility for the institution or holding company. Moreover, this restriction does not cover an examiner who spends a substantial portion of his or her time conducting or leading a targeted examination (such as a review of an institution's credit risk management, information systems, or internal audit functions) and who does not have broad and lead responsibility for the overall examination program for the institution or holding company.

(D) Penalty

An examiner who violates this restriction shall be subject to:

- i. an order removing the examiner from the prohibited position, and
- ii. an industry-wide employment prohibition for not more than five years, a civil penalty of not more than \$250,000, or both.

(E) Waiver

In exceptional circumstances, the Chairman of the Board may waive this restriction for a senior examiner by certifying in writing that granting the examiner a waiver would not affect the integrity of the Federal Reserve System's supervisory program.

Part 2: Rules for Other Employees with Substantive Responsibilities Relating to Supervision and Regulation Matters

Introduction

These rules apply to the Bank President and other senior Bank officials who have responsibilities relating to:

- Supervision or regulation of financial institutions,
- All non-credentialed professional staff, including officers and managers, who participate substantially in supervisory matters (e.g., attorneys and certain economists), and
- All professional staff, including officers and managers, who participate in the discount window function.

These persons are referred to as a covered employee(s). Supervisory matter does not include participating in an examination. See the [introduction](#) to this Appendix for examples of what this term does cover.

Topic	Section
Prohibition against Seeking Credit if Handling Supervisory Matter (Other than Examination/Inspection)	2.1

Recusal from Supervisory Matter (Other than Examination/Inspection) Based upon Borrowing Relationship	2.2
Recusal Based upon Past Employment, Family Relationships, or Financial Interests	2.3

Contents

[2.1 Prohibition against Seeking Credit if Handling Supervisory Matter \(Other than Examination/Inspection\)](#)

(A) General Prohibition

A covered employee is generally not restricted from borrowing from any entity, including one for which the System is the primary supervisor. However, a covered employee may not, on his or her own behalf, or on behalf of anyone else, seek or accept a loan from, or renew or renegotiate a loan with, an institution or any affiliate if the covered employee is working on or knows he or she will be assigned a supervisory matter which involves the institution or any affiliate.

Furthermore, a covered employee must disqualify himself or herself from handling a supervisory matter involving an institution or any affiliate if the covered employee learns that his or her spouse or dependent child or a related entity is seeking or has sought or accepted a loan from, or has renewed or renegotiated a loan with the institution or any affiliate while the matter is pending before the Bank or the Board.

The foregoing prohibitions continue for three months after the covered employee's participation in the matter ends.

(B) Exceptions

These prohibitions do not apply to a line of credit extended through a credit card or an overdraft protection plan, or a loan against the cash value of a life insurance policy that was obtained on terms not more favorable than those available to the public (i.e., the terms were not offered or enhanced because of the covered employee's position at the Bank).

(C) Waiver

A written waiver from the prohibitions of this paragraph may, in some limited circumstances, be obtained from the covered employee's supervising officer, in consultation with the Bank's Ethics Officer.

[2.2 Recusal from Supervisory Matter \(Other than Examination/Inspection\) based upon Borrowing Relationship](#)

(A) Recusal Requirement

A covered employee may not participate in any supervisory matter involving an institution or any affiliate if the employee, his or her spouse or dependent child or a related entity⁴ is indebted to the institution or any affiliate.

Note⁴:

A related entity is an entity in which the covered employee, the covered employee's spouse or dependent child owns or controls more than ten percent of its equity, or a partnership in which the covered employee or his or her spouse is a general partner.

(B) Exceptions

1. Recusal is not required if the debt was not extended on terms more favorable than those available to the public, payment on the debt is current, and the debt is a(n):
 - a. Line of credit extended through a credit card
 - b. Amortizing consumer loan (including a first or second mortgage on a personal residence) or a home equity line of credit
 - c. Overdraft protection line
 - d. Student loan
 - e. Car lease, or
 - f. Loan against the cash value of an insurance policy

2. Recusal is not required with respect to any debt of the covered employee's spouse or dependent child, or a related entity of the spouse or child if the:
 - a. Debt is the sole responsibility of the spouse, child or related entity, and is not derived from the covered employee's income, assets or activities; and
 - b. Covered employee has no knowledge of the identity of the lender

(C) Waiver

A written waiver from the prohibitions of this paragraph may, in some limited circumstances, be obtained from the covered employee's supervising officer, in consultation with the Bank's Ethics Officer.

[2.3 Recusal Based upon Past Employment, Family Relationships, or Financial Interests](#)

(A) Past Employment

A covered employee may not participate in a supervisory matter involving an institution or any affiliate if the covered employee was employed by the institution within the preceding 12 months. The covered

employee's supervising officer, in consultation with the Bank's Ethics Officer, may determine that recusal should be required for a longer period.

(B) Continuing Participation in Pension/Retirement Plan

If a covered employee continues to participate in a pension or retirement plan obtained through prior employment at an institution or any affiliate, the covered employee may not participate in a supervisory matter involving the institution or any affiliate unless the covered employee receives a written opinion from the Bank's General Counsel authorizing such participation.

(C) Family Relationships

A covered employee may not participate in a supervisory matter involving an institution or any affiliate if the covered employee's spouse, child, parent or sibling is employed by the institution or any affiliate. The covered employee's supervising officer, in consultation with the Bank's Ethics Officer, may require recusal in other situations that might give rise to an appearance of a conflict of interest--for example, if the covered employee's parent is a principal shareholder of the institution.

(D) Financial Interests

Under Section 5.2 of the Code and federal criminal law (18 U.S.C. §208), a Bank employee is prohibited from participating personally and substantially in an official capacity in any particular matter in which, to the employee's knowledge, the employee has a financial interest if the particular matter will have a direct and predictable effect on that interest. Participation in a particular matter may include making a decision or recommendation, providing advice, or taking part in an investigation. See **(Section 5.2)** and **Appendix A** of the Code for more information.

(E) Waiver

In certain cases, the prohibitions contained in paragraphs 3(A) and 3(C) may be waived by the covered employee's supervising officer, in consultation with the Bank's Ethics Officer.

Read and acknowledged by: