

**Farm Credit Administration**

**§ 652.20**

affect the value of your investment holdings;

(6) How investments affect your capital, earnings, and overall financial condition;

(7) Any deviations from the board's policies. These deviations must be formally approved by the board of directors.

**§ 652.15 Non-program investment purposes and limitation.**

(a) Farmer Mac is authorized to hold eligible non-program investments listed under § 652.20 for the purposes of enterprise risk management, including complying with its interest rate risk requirements in § 652.30; complying with its liquidity requirements in § 652.40; managing surplus short-term funds; and complementing program business activities.

(b) Non-program investments cannot exceed 35 percent of program assets and program obligations, excluding 75 percent of the program assets that are guaranteed by the United States Department of Agriculture as described in section 8.0(9)(B) of the Farm Credit Act of 1971, as amended. When calculating the total amount of non-program investments under this section, exclude investments pledged to meet margin requirements on derivative transactions.

**§ 652.20 Eligible non-program investments.**

(a) You may hold only the types, quantities, and qualities of non-program investments listed in the following Non-Program Investment Eligibility Criteria Table. These investments must be denominated in United States dollars.

NON-PROGRAM INVESTMENT ELIGIBILITY CRITERIA TABLE

Asset class	Final maturity limit	NRSRO issue or issuer credit rating requirement	Other requirements	Maximum percentage of total non-program investment portfolio
(1) Obligations of the United States. • Treasuries • Other obligations (except mortgage securities) fully insured or guaranteed by the United States Government or a Government agency.	None .....	NA .....	None .....	None.
(2) Obligations of Government-sponsored agencies. • Government-sponsored agency securities (except mortgage securities). • Other obligations (except mortgage securities) fully insured or guaranteed by Government-sponsored agencies.	None .....	NA .....	None .....	None.
(3) Municipal Securities: • General obligations .. • Revenue bonds .....	10 years ..... 5 years for fixed rate bonds and 10 years for index/floating rate bonds.	One of the two highest Highest .....	None ..... None .....	None. 15%.
(4) International and Multilateral Development Bank Obligations.	None .....	None .....	The United States must be a voting shareholder.	None.
(5) Money Market Instruments: • Federal funds .....	1 day or continuously callable up to 100 days.	One of the two highest short-term.	None .....	None.

NON-PROGRAM INVESTMENT ELIGIBILITY CRITERIA TABLE—Continued

Asset class	Final maturity limit	NRSRO issue or issuer credit rating requirement	Other requirements	Maximum percentage of total non-program investment portfolio
• Negotiable certificates of deposit.	1 year .....	One of the two highest short-term.	None .....	None.
• Bankers acceptances	None .....	One of the two highest short-term.	Issued by a depository institution.	None.
• Prime commercial paper.	270 days .....	Highest short-term .....	None .....	None.
• Non-callable term Federal funds and Eurodollar time deposits.	100 days .....	Highest short-term .....	None .....	20%.
• Master notes .....	270 days .....	Highest short-term .....	None .....	20%.
• Repurchase agreements collateralized by eligible investments or marketable securities rated in the highest credit rating category by an NRSRO.	100 days .....	NA .....	.....	None.
(6) Mortgage Securities:				
• Issued or guaranteed by the United States or a Government agency.	None .....	NA .....	.....	None.
• Government-sponsored agency mortgage securities.	None .....	One of the two highest .....	.....	50%.
• Non-Government agency or Government-sponsored agency securities that comply with 15 U.S.C. 77d(5) or 15 U.S.C. 78c(a)(41).	None .....	Highest .....	.....	15% combined.
• Commercial mortgage-backed securities.	None .....	Highest .....	<ul style="list-style-type: none"> <li>• Security must be backed by a minimum of 100 loans.</li> <li>• Loans from a single mortgagor cannot exceed 5% of the pool.</li> <li>• Pool must be geographically diversified pursuant to the board's policy.</li> </ul>	
(7) Asset-Backed Securities secured by:	None .....	Highest .....	Maximum of 5-year WAL for fixed rate or floating rate ABS at their contractual interest rate caps.	25% combined.
• Credit card receivables				
• Automobile loans				
• Home equity loans				
• Wholesale automobile dealer loans				
• Student loans				
• Equipment loans				
• Manufactured housing loans				
(8) Corporate Debt Securities.	5 years .....	One of the highest two for maturities greater than 3 years, and one of the highest three for maturities of three years or less.	Cannot be convertible to equity securities.	25%.

NON-PROGRAM INVESTMENT ELIGIBILITY CRITERIA TABLE—Continued

Asset class	Final maturity limit	NRSRO issue or issuer credit rating requirement	Other requirements	Maximum percentage of total non-program investment portfolio
(9) Diversified Investment Funds. Shares of an investment company registered under section 8 of the Investment Company Act of 1940.	NA .....	NA .....	The portfolio of the investment company must consist solely of eligible investments authorized by this section. The investment company's risk and return objectives and use of derivatives must be consistent with FCA guidance and your investment policies.	None, if your shares in each investment company comprise less than 10% of your portfolio. Otherwise counts toward limit for each type of investment.

**Note:** You must also comply with requirements of paragraphs (b), (c), and (d) of this section, and § 651.40 when applicable. "NA" means not applicable.

(b) *Rating of foreign countries.* Whenever the obligor or issuer of an eligible investment is located outside the United States, the host country must maintain the highest sovereign rating for political and economic stability by an NRSRO.

(c) *Marketable investments.* All eligible investments, except money market instruments, must be readily marketable. An eligible investment is marketable if you can sell it promptly at a price that closely reflects its fair value in an active and universally recognized secondary market. You must evaluate and document the size and liquidity of the secondary market for the investment at time of purchase.

(d) *Obligor limits.* (1) You may not invest more than 25 percent of your regulatory capital in eligible investments issued by any single entity, issuer, or obligor. This obligor limit does not apply to Government-sponsored agencies or Government agencies. You may not invest more than 100 percent of your regulatory capital in any one Government-sponsored agency. There are no obligor limits for Government agencies.

(2) *Obligor limits for your holdings in an investment company.* You must count securities that you hold through an investment company toward the obligor limits of this section unless the investment company's holdings of the security of any one issuer do not exceed 5 percent of the investment company's total portfolio.

(e) *Preferred stock and other investments approved by the FCA.* (1) You may purchase non-program investments in preferred stock issued by other Farm Credit System institutions only with our written prior approval. You may also purchase non-program investments other than those listed in the Non-Program Investment Eligibility Criteria Table at paragraph (a) of this section only with our written prior approval.

(2) Your request for our approval must explain the risk characteristics of the investment and your purpose and objectives for making the investment.

**§ 652.25 Management of ineligible investments and reservation of authority.**

(a) *Investments ineligible when purchased.* Investments that do not satisfy the eligibility criteria set forth in § 652.20 at the time of purchase are ineligible. You must not purchase ineligible investments. If you determine that you have purchased an ineligible investment, you must notify the OSMO within 15 calendar days after such determination. You must divest of the investment no later than 60 calendar days after the determination unless we approve, in writing, a plan that authorizes you to divest of the investment over a longer period of time.

(b) *Investments that no longer satisfy eligibility criteria.* If you determine that an investment (that satisfied the eligibility criteria set forth in § 652.20 when purchased) no longer satisfies the eligibility criteria, you must notify the