ATTACHMENT 2

FEDERAL DEPOSIT INSURANCE CORPORATION LIQUIDATION INVESTMENT POLICY (2018)

Scope

The Liquidation Investment Policy (Policy) shall apply to all funds held by the FDIC in its receivership capacity and to all funds held by the FDIC in its corporate liquidator capacity (collectively referred to as the National Liquidation Fund (NLF)).

Legal Basis

Section 11(d)(2)(B) of the Federal Deposit Insurance Act (Act) provides that the FDIC, as receiver, may:

(i) take over the assets of and operate the insured depository institution with all the powers of the members or shareholders, directors, and the officers of the institution and conduct all business of the institution;

(ii) collect all obligations and money due the institution;

(iii) perform all functions of the institution in the name of the institution which are consistent with the appointment as conservator or receiver; and

(iv) preserve and conserve the assets and property of such institution.

Section 11(d)(2)(J) of the Act permits the "Corporation ... as conservator or receiver" to "exercise all powers and authorities specifically granted to conservators or receivers, respectively, under this Act and such incidental powers as shall be necessary to carry out such powers" and to take any authorized action "which the Corporation determines is in the best interests of the depository institution, its depositors, or the Corporation."

Section 13(d)(3)(A) of the Act permits the FDIC, acting in its corporate liquidator capacity, to purchase assets of failed depository institutions. With respect to such corporate purchased assets, "the Corporation shall have all the rights, powers, privileges, and authorities of the Corporation as receiver."

Investment Objectives

Specific investment objectives include, in order of priority:

- preserve principal;.
- provide sufficient liquidity to meet anticipated cash flow requirements;
- maximize returns; and
- manage the investment program at the lowest reasonable cost, without compromising standards of quality, security, or control.

Investment Guidelines

Permissible Investments

- U.S. Treasury Securities - May be up to 100 percent of NLF investments.
- Federally-Sponsored Agency Securities - May be up to 100 percent of NLF investments. Holdings are limited to federally-sponsored agency notes, bonds, and discount notes. Structured notes are not permitted. The eligible issuers are Fannie Mae, the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Farm Credit System, and the Federal Home Loan Banks.
- Interest-Bearing Deposits at a Designated Depository – May be up to 100 percent of NLF investments. To the extent practicable, all NLF funds shall be concentrated in and flow through transaction accounts at one or more designated depositories. A designated depository may be a Federal Reserve Bank, a Federal Home Loan Bank, or an insured depository institution.
- Government Institutional Money Market Funds – May be up to 100 percent of NLF investments. Holdings are limited to funds that invest only in debt securities issued or guaranteed by the U.S. government or by U.S. government agencies or instrumentalities, and in repurchase agreements fully collateralized by such debt securities. The IAG will advise the CFO and the CFO will establish any selection criteria in addition to the Credit Criteria listed below.

Maturity Limitations

- The maturity of U.S. Treasury securities, federally-sponsored agency securities, and term deposits at a designated depository shall not exceed one year.

- The dollar-weighted average maturity of NLF investments shall not exceed 182 days at the time of purchase of any U.S. Treasury security, federally-sponsored agency security, or term deposit at a designated depository.

Credit Criteria

- Credit criteria for purchasing U.S. Treasury securities and eligible federally-sponsored agency securities are not required.

- The federally-sponsored agencies, government institutional money market funds, and designated depositories will be subject to ongoing monitoring and periodic review to ensure that receivership and corporate purchase funds are not exposed to undue risk.

- Government institutional money market funds must hold the highest money market fund rating from one of the nationally recognized statistical ratings organizations.

Custodial Requirements

- All securities purchased are to be delivered against payment and held in safekeeping at an FDIC-approved custodian in book entry form.

- Leveraging and re-lending by the custodian are not permissible.

Competitive Purchase Process

- Investments shall be purchased and sold through an open and competitive process.

- Policies and procedures implementing an open and competitive process for purchasing and selling Permissible Investments shall be approved by the CFO after consultation with the IAG.

Responsibilities

In accordance with the Corporation's Bylaws, Delegations of Authority, and the Chief Financial Officers Act of 1990[3], the authority and responsibility to develop and maintain the FDIC's financial management systems and cash management systems shall be vested in the CFO. In exercising this authority, the CFO may concentrate cash and invest and account for NLF investments. The CFO will have responsibility for monitoring the execution of this Policy.

The Director of the Division of Finance (DOF Director) or his/her designees will be authorized by the CFO to execute day-to-day transactions required to implement this Policy. Within the

[3] Public Law 101-576 (Nov. 15, 1990), as amended.

guidelines set by the CFO, the DOF Director or his/her designees are authorized to invest and reinvest the NLF, make purchases and sales, and perform all related incidental acts.

Actions that constitute exceptions to this Policy may be made only upon the written direction of the CFO and under extraordinary circumstances. A memorandum outlining any actions taken constituting exceptions will be submitted to the Board of Directors explaining both the circumstances and the rationale for taking the action that constituted the exception.

Investment Advisory Group

An Investment Advisory Group consisting of the CFO, the DOF Director, and three members (not directly involved in the Corporate and liquidation funds investment operations) appointed by the Chairperson, shall convene four times per year, preferably at least once each calendar quarter. The CFO shall chair the IAG. The IAG will review the overall investment, securities market, and economic outlooks; review the most recent quarter's investment performance; and review any actions taken which constitute exceptions to this Policy. The IAG will also advise the CFO on investment strategies for the NLF.

With respect to government institutional money market funds, the IAG will review and provide advice to the CFO on which funds should be approved.

The Division of Finance (DOF) shall be responsible for preparing briefing materials for the IAG. These materials will include, at a minimum:

- the status of the NLF;
- a summary of the execution of the CFO's instructions since its prior meeting;
- summary results of the ongoing monitoring and periodic review of federally-sponsored agencies and government institutional money market funds; and
- a recommended investment strategy for the subsequent period.

In the event market conditions require a reassessment of the investment strategy between regularly scheduled IAG meetings, DOF shall notify the CFO who shall determine in his or her sole discretion whether an interim IAG meeting should be held.

Reporting Requirements

The CFO will report quarterly to the Board of Directors on:

- the status and recent investment experience of the NLF;

- the current and prospective investment strategies, including limitations on any of the security types;
- the principal reasons for any significant changes in either investment experience or strategy; and
- any actions taken that constitute exceptions to this Policy.