

189—17.3(533) Investment policies. A state-chartered credit union’s board of directors must establish written investment policies consistent with Iowa Code chapter 533, the Federal Credit Union Act, these rules, and other applicable laws and regulations and must review the policies at least annually. These policies may be part of a broader, asset-liability management policy. Written investment policies must address, at a minimum, the following:

- 17.3(1)** The purposes and objectives of the credit union’s investment activities;
- 17.3(2)** The characteristics of the investments the credit union may make, including the issuer, maturity, index, cap, floor, coupon rate, coupon formula, call provision, average life, and interest rate risk;
- 17.3(3)** How the credit union will manage interest rate risk;
- 17.3(4)** How the credit union will manage liquidity risk;
- 17.3(5)** How the credit union will manage credit risk including specifically listing institutions, issuers, and counterparties that may be used, or criteria for the credit union’s selection, and limits on the amounts that may be invested with each;
- 17.3(6)** How the credit union will manage concentration risk, which can result from dealing with a single issuer or related issuers, lack of geographic distribution, holding obligations with similar characteristics like maturities and indexes, holding bonds having the same trustee, and holding securitized loans having the same originator, packager, or guarantor;
- 17.3(7)** Who has investment authority and the extent of that authority. Those with authority must be qualified by education or experience to assess the risk characteristics of investments and investment transactions. Only officials or employees of the credit union may be voting members of an investment-related committee;
- 17.3(8)** The name of the broker-dealer(s) the credit union may use;
- 17.3(9)** The name of the safekeeper(s) the credit union may use;
- 17.3(10)** How the credit union will handle an investment that, after purchase, is outside of board policy or fails a requirement of these rules; and
- 17.3(11)** How the credit union will conduct investment trading activities, if applicable, including addressing:
 - a.* Who has purchase and sale authority;
 - b.* Limits on trading account size;
 - c.* Allocation of cash flow to trading accounts;
 - d.* Stop loss or sale provisions;
 - e.* Dollar size limitations of specific types, quantity and maturity to be purchased;
 - f.* Limits on the length of time an investment may be inventoried in a trading account; and
 - g.* Internal controls, including segregation of duties.