



# **Insider Trading Policy**



# Insider Trading Policy

---

<b>Document Title:</b>	<b>Insider Trading Policy</b>
<b>Document Owner:</b>	<b>Legal</b>
<b>Document Type:</b>	<b>Policy</b>
<b>Bank Level Approver:</b>	<b>Disclosure Committee</b>
<b>Board Level Approver:</b>	<b>N/A</b>
<b>Last Review Date:</b>	<b>December 2019</b>
<b>Next Review Date:</b>	<b>December 2020</b>
<b>Law/Regulatory Citation:</b>	<b>Sarbanes-Oxley Act of 2002</b>
<b>Associated Governing Document(s):</b>	<b>Disclosure Policy Code of Ethics</b>
<b>Enterprise Governing Document:</b>	<b>Yes</b>



# Insider Trading Policy

---

## TABLE OF CONTENTS

I. OVERVIEW .....	1
II. APPLICABILITY .....	1
III. CONSEQUENCES.....	1
IV. DEFINITIONS/EXPLANATIONS .....	2
V. BANK POLICY ON USE OF MATERIAL NONPUBLIC INFORMATION .....	4
VI. TRADING BLACKOUT .....	8
VII. CERTIFICATION.....	8
VIII. BANK ASSISTANCE .....	8



# Insider Trading Policy

---

## I. OVERVIEW

While performing their duties, directors, officers, employees, and contractors (as defined in the Code of Ethics) of the Federal Home Loan Bank of Des Moines ("Bank") may learn material nonpublic information about the Bank, the Federal Home Loan Bank System ("FHLBank System"), the Bank's member institutions, counterparties, vendors or another company. (Employees, officers and contractors are collectively referred to in this policy as "employees.") Directors and employees of the Bank must maintain the confidentiality of such information, except when disclosure of such information is authorized by the Bank or legally mandated.

The misuse of material nonpublic information (i.e., any use of that information for other than the Bank's necessary purposes) may violate federal and state banking and/or securities laws and other legal and regulatory requirements. The Bank is adopting this policy to avoid even the appearance of improper conduct on the part of anyone employed by or associated with the Bank.

## II. APPLICABILITY

This policy applies to all directors and employees of the Bank. The policy applies with respect to material nonpublic information about the Bank, including the capital stock of the Bank, debt securities issued by the FHLBank System and any other securities that may be issued by the Bank or FHLBank System, which came to such director or employee through his or her relationship with the Bank. The policy applies as well to material nonpublic information relating to any member institution, counterparty, vendor, or other company, if such information came to such director or employee through his or her relationship with the Bank.

## III. CONSEQUENCES

### A. Civil and Criminal Sanctions

An individual who uses or allows the use of information obtained as a result of his or her relationship with the Bank but which is not available to the general public in order to engage in any financial transaction or to further a private interest may be subject to prosecution and/or liability under federal and state banking and/or securities laws and other legal and regulatory provisions. The consequences of insider trading violations alone can be staggering:

For **individuals** who trade on inside information (or disclose inside information to others who trade), penalties may include:

- A bar on serving as a director or officer of a public company;
- Disgorgement of any profit gained or loss avoided;
- A civil penalty (in addition to disgorgement) of up to three times the profit gained or loss avoided;
- A criminal fine (no matter how small the profit) of up to \$5 million; and
- A jail term of up to 20 years.

For **the Bank's** (as well as possibly any supervisory person) failure to take appropriate steps to prevent illegal insider trading, penalties may include:

- A civil penalty of the greater of \$1 million or three times the profit gained or loss avoided as a result of violation; and
- A criminal penalty of up to \$25 million.

Any of the above consequences, or even an SEC investigation that does not ultimately result in prosecution, can tarnish one's reputation and irreparably damage a career.

#### **B. Sanctions Imposed by the Bank**

Bank management or the Board will address violations of this policy as appropriate. If required by law or otherwise appropriate, such violations will be reported to the Federal Housing Finance Agency or other appropriate authorities.

### **IV. DEFINITIONS/EXPLANATIONS**

#### **A. What is "Material" Information?**

Under the federal securities laws, information is generally regarded as "material" if there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to purchase, sell or hold a security, or if the information would significantly alter the total mix of publicly available information considered by the reasonable investor in making an investment decision.

Material information can be positive or negative and can relate to virtually any aspect of an entity's business or to any type of security, debt or equity. For example, in most cases information concerning the following events should be presumed to be "material:"

- Dividend announcements;
- Revisions to policies or procedures relating to dividends, retained earnings, stock redemptions, or stock repurchases;
- Earnings information and quarterly results;
- Earnings guidance;
- Adjustments in credit standing or risk profile;
- Events regarding securities (e.g., issuances of new securities, defaults on securities, or changes to the rights of security holders);
- The launch of a major new product or business;
- The discontinuation of a significant product or business;
- Significant changes in operations;
- Acquisitions, mergers, joint ventures, divestitures, changes in assets, or similar transactions;
- Extraordinary borrowings;
- Gain or loss of a significant member, customer, counterparty, or supplier;
- Entry into or termination of a significant contract;
- Changes in senior management or the board of directors;
- Changes in compensation policies;
- Changes in previously disclosed financial information;
- A determination that previously issued financial statements may not be relied upon because of an error in such financial statements;
- Changes in auditors or auditor notification that the Bank may no longer rely on an audit report;
- Significant litigation, including government investigations;
- Significant regulatory actions or developments;
- Impending financial liquidity problems;
- Corporate reorganization, liquidation, or similar transactions or events; and
- Events relating to other Federal Home Loan Banks (FHLBanks), the Office of Finance, or the FHLBank System significantly affecting the Bank or consolidated obligations investors.

The above list is only illustrative; many other types of information may be considered "material" depending on the circumstances.

## **B. What is “Nonpublic” Information?**

Information is “nonpublic” if it is not available to the general public. In order for information to be considered public, it must be broadly disseminated or made widely available to the general public, such as by filing a Form 8-K, by distributing a press release through a widely disseminated news or wire service or by any other non-exclusionary method of disclosure that is reasonably designed to provide broad public access – such as an announcement at a conference of which the public had notice and to which the public was granted access, either by personal attendance or telephonic or electronic access.

In addition, even after a public announcement of material information, a reasonable period of time must elapse in order for the market to react to the information. For purposes of this policy, directors and employees shall treat all material information as ‘nonpublic’ unless and until two business days have elapsed since the public announcement of such information. When in doubt, the information involved should be presumed to be both material and not to have been disclosed to the public.

## **V. BANK POLICY ON USE OF MATERIAL NONPUBLIC INFORMATION**

### **A. Restrictions on Trading**

When in the possession of material nonpublic information about an issuer of securities (including the Bank, the FHLBank System or any member institution, counterparty, vendor or other company), which information came to such director or employee through his or her relationship with the Bank, such director or employee is not permitted to (1) engage in any transaction in the securities of such issuer (including both Bank capital stock and consolidated obligations, and if the information relates to a member institution, counterparty, vendor, or other company, the securities of such member institution, counterparty, vendor, or other company or any parent holding company thereof), or (2) except as required by law or permitted under the Bank’s Disclosure Policy, disclose such information to anyone except Bank directors, personnel and representatives (such as accountants, attorneys and agents), and others subject to appropriate confidentiality obligations to the Bank having a need to know the information for legitimate Bank-related reasons.

### **B. “Tipping” of Information to Others**

A director or employee who improperly reveals material nonpublic information to another person can be held liable for the trading activities of his or her “tippee” and any other person with whom the tippee shares the information. The penalties previously discussed apply whether or not an insider benefits financially from such trades and whether or not an insider knew or intended that another person would trade in the relevant security on the basis of the information revealed.

A director or employee is not permitted to disclose material nonpublic information concerning an issuer of securities, which information was obtained through such director's or employee's relationship with the Bank, to another person who may subsequently use that information to his or her profit. To reduce the chances of inadvertent tipping of material nonpublic information, except as required by law, no such information is to be disclosed to anyone except Bank directors, personnel and representatives (such as accountants, attorneys and agents) who have a valid business reason for receiving such information (i.e., who have a "need to know" the information in order to serve the business purposes of the Bank). Such information should be regarded as particularly sensitive, confidential information.

1. Transactions by Family Members:

To the extent set forth in this paragraph, the restrictions in this policy apply to a director's or employee's family members and others living in his or her household. Except as required by law or as otherwise permitted pursuant to the Bank's Disclosure Policy, directors and employees are not permitted to disclose to anyone outside of the Bank, including family or household members of the director or employee, material nonpublic information about an issuer of securities, which information came to such director or employee through his or her relationship with the Bank. Notwithstanding the foregoing, if a director's or employee's family or household member comes into possession of material nonpublic information about an issuer of securities, which information came to such individual through the director's or employee's relationship with the Bank, such family or household member is not permitted to (1) engage in any transaction in the securities of such issuer (including both Bank capital stock and consolidated obligations, and if the information relates to a member institution, counterparty, vendor, or other company, the securities of such member institution, counterparty, vendor, or other company or any parent holding company thereof), or (2) except as required by law, disclose such information to anyone. Directors and employees are expected to be responsible for the compliance of their family members and others in their household with this restriction.

2. Transactions by a Director's Institution:

To the extent set forth in this paragraph, the restrictions in this policy apply to the member institution(s) or other entities where a director serves as an officer or employee. Directors are not permitted to use in connection with their activities at their institution(s) or entities, or to disclose to any individuals at their institution(s) or entities, material nonpublic information about an issuer of securities, which information came to such director through his or her relationship with the Bank. Notwithstanding the foregoing, if a director's institution or entity comes into possession of material nonpublic information about an issuer of securities, which information came to such institution or entity through the director's relationship with the Bank, such institution or entity is not permitted to (1) engage in any transaction in the securities of such issuer (including both Bank capital stock and consolidated obligations, and if the information relates to a member institution, counterparty, vendor or other company, the securities of such member institution, counterparty, vendor or other company or any parent holding company thereof), or (2) except as required by law, disclose such information to anyone.

3. Inadvertent "Tipping":

Directors and employees should take care that material nonpublic information is secure. For example, files containing such information should be sealed and access to computer files containing such information should be restricted. In addition, directors and employees should not discuss such information in public places where it can be overheard, such as elevators, restaurants, taxis, and airplanes.

No director or employee is permitted to give trading advice of any kind about the securities of an issuer to anyone while possessing material nonpublic information about such issuer, which information came to such director or employee through his or her relationship with the Bank, except to advise others not to trade if doing so might violate the law or this policy. The Bank strongly discourages all directors and employees from giving trading advice concerning the securities of the Bank or the FHLBank System to third parties even when such director or employee does not possess material nonpublic information about the Bank or the FHLBank System.

4. Trading in Securities of Members:

The penalties for insider trading and this policy apply equally to material nonpublic information concerning member institutions. The Bank may from time to time be in possession of material nonpublic information related to its member institutions. Member directors and employees are prohibited from trading in the securities of a member institution while in possession of material nonpublic information concerning such member obtained through such employee's or director's relationship with the Bank. Except as required by law or as permitted under the Bank's Disclosure Policy, directors and employees are prohibited from disclosing such information to anyone except Bank directors, personnel and representatives (such as accountants, attorneys, and agents) having a need to know the information for legitimate Bank-related reasons.

**C. Trading in Securities of Vendors, Counterparties, and Other Companies**

The penalties for insider trading and this policy apply equally to material nonpublic information concerning vendors, counterparties and other companies. Directors and employees are prohibited from trading in the securities of another company while in possession of material nonpublic information concerning such other company obtained by the director or employee through his or her relationship with the Bank. Except as required by law, directors and employees are prohibited from disclosing such information to anyone except Bank directors, personnel and representatives (such as accountants, attorneys, and agents) having a need to know the information for legitimate Bank-related reasons.

**D. Twenty-Twenty Hindsight**

If securities transactions become the subject of scrutiny, they are likely to be viewed after-the-fact with the benefit of hindsight. As a result, before engaging in any transaction, a director or employee should carefully consider how regulators and others might view the transaction in hindsight.

## **VI. TRADING BLACKOUT**

In order to avoid even the appearance of improper trading, at the discretion of management, blackout periods may be established from time to time when material nonpublic information is shared with the Board of Directors. Such blackout periods will stay in effect until two business days have elapsed since the date that information is made public. During such blackout periods, and with respect to a member institution where a member director of the Bank serves as a director or employee (i.e., a director institution), the Bank will not:

- redeem or otherwise repurchase any shares of the Bank's capital stock from the director institution, other than pursuant to an automatic sweep of excess stock;
- approve any transfers of capital stock by a director institution to another member or prospective member; or
- allow a director institution to pay down advances prior to maturity, unless approved by the Board of Directors.

The Bank will notify a designated individual at each director institution regarding the establishment of any blackout period. The existence of a blackout will not be announced publicly, and any person made aware of the existence of a blackout should not disclose the existence of the blackout to any other person.

At the discretion of management and depending on the level of materiality of any material nonpublic information, any blackout period may be extended to prohibit the purchase or sale of consolidated obligations by any director or employee of the Bank or by any director institution.

## **VII. CERTIFICATIONS**

Each of the Bank's directors and employees are expected to understand and comply with this policy. By annually signing the Bank's Code of Ethics certification, each of the Bank's directors and employees certifies that he or she has complied with and will continue to comply with this policy.

## **VIII. BANK ASSISTANCE**

This policy only briefly summarizes the key provisions of some of the laws affecting the Bank's directors and employees and does not purport to be a complete summary of all laws, including state laws and foreign laws, relating to the use of material nonpublic information. Any person who has any questions about specific transactions or general questions about this policy may obtain additional guidance from the Bank's Legal Department.