

Policy Manual

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SECTION 1 – BOARD GOVERNANCE

I. GENERAL

A. POLICY PURPOSE AND PHILOSOPHY

1. Purpose – This manual documents the strategic policies, delegation of authority, expectations for results and assignment of resources of Alloya Corporate Federal Credit Union (“Alloya”) Board of Directors (“Board”). This manual serves as the necessary link between the members’ bylaw delegation of authority to the Board and the Chief Executive Officer’s (CEO) plan of organization.
2. Scope – This manual does not address every possible circumstance or restate provisions in any other governing or guiding documents.

B. POLICY ADOPTION AND IMPLEMENTATION

1. Implementation – Officials, elected or appointed, and executive management should be familiar with each section of this manual. The value of any one section or paragraph may rely heavily on others. General agreement on these statements is essential for implementing policies and assuring accomplishments.
2. Adoption – Adoption of this policy manual supersedes all previous written Board policies

C. POLICY, GUIDELINE AND PROCEDURE APPROVAL

1. Policy Approval – The Board approves all policies prior to implementation.
2. Guidelines Approval – The CEO may approve amendments to any Guideline and will report any amendments to the Board at its next regularly scheduled meeting for Board ratification.
3. Procedure Approval – Management sets and approves procedures to achieve the organization policies; Board approval and or review is not required.

D. POLICY, GUIDELINE AND PROCEDURE COMPLIANCE

1. Compliance – Compliance with all Policies, Guidelines and Procedures is expected.
2. Exceptions
 - a. Policies – The Board has adopted the above Policies to guide management oversight. The Board recognizes, however, that certain exceptions to this policy may be necessary due to unforeseen circumstances and to protect the best interest of Alloya. Exceptions may thus be considered when recommended by the CEO. All Policy violations will be reported to the Board at its next regularly scheduled meeting.
 - b. Guidelines – Management will adhere to all Guidelines. The CEO has the exclusive authority to make exceptions or changes to Guidelines as long as these exceptions meet or are within regulatory requirements. All exceptions and changes must be reported to the Board for ratification at the next regularly scheduled Board meeting.
 - c. Procedures – Staff are expected to adhere to all written Procedures. Management has the exclusive authority to make exceptions to Procedures as long as these exceptions meet or are within regulatory requirements and approved Polices and Guidelines.

E. POLICY RESPONSIBILITY AND MAINTENANCE

1. Board Responsibility – Directors will receive a copy of this manual and are accountable for recommending additions, changes or deletions to this manual by citing specific section and paragraph numbers. The Board will review and approve all Policies and Guidelines at least annually.
2. Maintenance – The SVP, Strategy, Product & Risk Management is accountable for maintaining a “master” manual. The master manual will be updated within thirty (30) days of Board action. The SVP, Strategy, Product & Risk Management will forward interim and final revisions to all holders of the policy manual.
3. Review Responsibility – Please see Appendix G for a listing of Policy Review responsibilities and frequency.

F. CHARTER

1. Charter – Alloya is a federally chartered credit union.
2. Charter Number – National Credit Union Administration (NCUA) number 24844.

G. TAX IDENTIFICATION NUMBER

1. The Tax Identification Number for Alloya is [45-2090875](#).

H. ROUTING AND TRANSIT

1. The ABA routing and transit numbers for Alloya are 274086339, 271987635, 296081516, 221381715 and 211391650.

I. OFFICE LOCATIONS

1. Corporate Headquarters – 4450 Weaver Parkway, Warrenville, IL 60555
2. Albany Office – 1021 Watervliet-Shaker Road, Albany, NY 12205

J. HOLIDAYS

1. Regular Holidays – Alloya will be closed on all holidays observed by the Federal Reserve Bank.
2. Other Closings – With proper advance notification to the membership, the Board may elect to close other days.

K. TRANSPARENCY

1. Policies – Alloya is committed to transparency and copies of these policies are available to any member.
2. Strategic and Business Plans - Alloya is committed to transparency and copies of plans are available to any member.

II. MEMBERSHIP

A. FIELD OF MEMBERSHIP

1. Approval – The Field of Membership (FOM) is defined in Alloya’s Charter, as amended and approved by the NCUA.
2. Current FOM – Alloya serves various groups throughout the United States, including:
 - a. Credit Unions and Affiliates – Federal credit unions, state credit unions, credit union trade associations and their affiliates, credit union-related organizations, credit union service organizations and corporate credit union service organizations maintaining their principal offices in any state, the District of Columbia, the several territories and possessions of the United States and the Commonwealth of Puerto Rico.
 - b. Other Entities – Various other entities are entitled to Alloya products and services. The non-credit union types of entities that Alloya may serve are defined in Alloya’s Charter.

B. MEMBERSHIP

1. Fees – Membership fees, if any, shall be charged at the discretion of the Board.
2. Classes of Membership:
 - a. Membership Capital Holders – Consists of natural person credit unions and other credit-union affiliated organizations in Alloya’s field of membership who have met the conditions as set forth below.
 - b. Partner Membership – Consists of credit-union affiliated organizations in Alloya’s field of membership who have met the conditions as set forth below
3. Conditions – The conditions for each class of membership, as defined above, are as follows:
 - a. Membership Capital Holders
 - 1) Membership Capital Holders will have at least one share on deposit in a membership capital share account at Alloya.
 - 2) Terms and conditions for Perpetual Membership Capital Shares may be amended by the Board at anytime for any reason or for no reason, subject to then current applicable regulation and law.
 - 3) Such terms and conditions shall be disclosed to members prior to joining via a Private Placement Memorandum and on a periodic basis thereafter.
 - b. Partner Members
 - 1) Partner members will have at least one share on deposit in a membership capital account at Alloya.
 - 2) Terms and conditions for partner members may be amended by the Board at anytime for any reason or for no reason, subject to then current applicable regulation and law.
 - 3) Such terms and conditions shall be disclosed to partner members prior to joining and on a periodic basis thereafter.
 - c. Membership Approval – All membership agreements will be approved by the Board. The Board may deny membership to any potential members for any reason or no reason.
 - d. Member Expulsion – Members may be expelled by the Board of Directors, under the following circumstances:
 - 1) A member fails with sixty (60) days to meet a required capital call or
 - 2) A member creates a loss for Alloya or
 - 3) Such other circumstances as the Board shall determine
 - 4) Should it be determined that a member should be expelled, the circumstances will be provided to the Board for approval. If approved, the member will be notified in writing and will have sixty (60) days to address the issue to the Board’s satisfaction. The member in question shall also be provided the opportunity to present their case to the Board should they disagree with the expulsion decision. Any decision of the Board will be final.

C. ANNUAL MEMBERSHIP MEETING

1. Annual Meeting – An Annual Membership Meeting shall be held in Indiana, Illinois, New York, New Jersey, Rhode Island, South Dakota, Massachusetts, Connecticut or Minnesota.
2. Elections – Elections of Board members will be held in accordance with the Bylaws, and the results will be announced at the Annual Meeting. All dates established in the Bylaws that would fall on a weekend will be moved back to the first available preceding business day.

D. VOTING ELIGIBILITY

1. Appointment – A member credit union may appoint a voting representative, who is a member of its organization, to attend and vote at meetings and to cast its ballot at the Annual Meeting.
2. Representation – A representative may represent only one member.
3. Forms
 - a. The appointment of a designated voting representative shall be accepted only on forms approved by Alloya.
 - b. Representative agreement forms may be mailed to all member credit unions with the notice of the Annual Meeting and/or be available on-line.
4. Prior-year Forms – A representative agreement will be considered valid for purposes of voting until rescinded or replaced by the member.
5. Subsequent Agreements – A written representative agreement is invalidated by a subsequent written representative agreement.
6. Election – A representative may also stand for election.
7. Due date – In the event of a ballot election, any changes, deletions or additions to Designated Representatives must be received at Alloya’s headquarters no later than forty-five (45) days before the Annual Meeting to be effective for that year’s Annual Meeting.

E. VOTING RIGHTS

1. Voting – One vote per representative.
2. Par Value of Shares – The par value of a share is established at \$5 in the Bylaws.

III. BOARD AND COMMITTEE ORGANIZATION

A. BOARD OF DIRECTORS

1. Purpose – The purpose of this Board is to ensure that Alloya and its CUSOs (wholly owned and/or jointly controlled) provide quality financial solutions that benefit its members/stakeholders and avoid unacceptable actions and situations.
2. Philosophy – The Board will govern with an emphasis on outward vision rather than internal preoccupation, encouragement of diverse viewpoints, strategic leadership rather than administrative detail, clear distinction of Board and CEO roles, collective rather than individual decisions, future rather than past or present, and will be proactive rather than reactive. This philosophy shall not prohibit the Board’s detailed analysis of internal matters as warranted.
3. Board Structure
 - a. The Board shall consist of seven (7) members.
 - b. The officers of the Board shall consist of the Chair, Vice Chair, Treasurer and Secretary.
4. Eligibility
 - a. To be eligible for membership on the Board, an individual must be a Designated Representative of a credit union with membership in Alloya and be bondable throughout the entire term of office.
 - b. A Member may appoint only one Designated Representative and a director must always remain the designee of a Member.
 - c. Directors must be at least 21 years of age.
 - d. The Chair may not serve simultaneously as an officer, director or employee of a credit union trade association.
 - e. A majority of the Board may not serve simultaneously as officers, directors or employees of the same credit union trade association or its affiliates (not including chapters or other sub-units of a state trade association).
 - f. For the purposes of meeting the requirements of sections III.A.4. d and e above, an individual may not serve as a director or chair of the Board if that individual holds a subordinate employment relationship to another employee who serves as an officer, director or employee of a credit union trade association.
 - g. Alloya’s CEO is not eligible to serve as a Board member.
 - h. No officer or employee of Alloya is eligible to serve as a Board member.
 - i. No officer or employee of a CUSO wholly owned or jointly controlled by Alloya is eligible to serve as a Board member.
 - j. Directors who cease to be eligible may serve until expiration of their full term only if approved by majority vote of the eligible Board members.
 - i. Directors must be “C” level or the equivalent employees of their respective organization.
5. Board Terms
 - a. The inaugural Board seated upon chartering, shall serve until the first Annual Meeting scheduled in June 2012. At that time, all Board members will stand for election consistent with the Bylaws. At the first organizational meeting following the June 2012 Annual Meeting, the Board members shall be placed into one, two or three year classes determined by random lot.
 - b. Subsequently Board members shall:
 - 1) Each director shall be elected to a three (3) year term based on class.

- 2) The terms of the directors shall be staggered so that, on a rolling annual basis, three (3) terms expire the first year and two (2) terms expire the following two years.
 - 3) In the event that more positions need to be filled due to a vacancy than slated for election based on terms expiration, the individual(s) with the greatest number of votes will fill the longest terms.
 - 4) Directors nominated by the Chair and voted upon by the Board to fill vacant board positions will assume the term of the individual(s) they replace.
 - 5) Directors so appointed will stand for election for the remainder of the unexpired term or a new term if nominated at the next Annual Meeting.
6. Board Member Types – Alloya will have three (3) types of Directors as noted below:
- a. Director – This type of Directorship includes Board members elected or appointed to the Board pursuant to the Bylaws. Directors so appointed or elected have full rights and authorities as enumerated in the Bylaws and these Policies.
 - b. Director Emeritus – All directors who have retired or resigned from Alloya’s Board and who have completed service on the Board for at least one full term of office are eligible to participate in the Directors Emeritus Program (DEP). The objective of the DEP is to provide the current Board with historical perspective, counsel, guidance and succession support. Directors Emeritus have the following rights, duties, responsibilities and privileges:
 - 1) Directors Emeritus may attend all Board meetings by telephone.
 - 2) Directors Emeritus may attend three (3) in-person Board as approved by the Board Chair.
 - 3) Directors Emeritus must maintain the confidentiality of all Alloya business, which requires such treatment by its nature or by direction of the Board.
 - 4) Directors Emeritus must keep up-to-date on financial, legal, and service-oriented objectives related to promoting the welfare of Alloya.
 - 5) Directors Emeritus must maintain working relationships with Alloya’s CEO and committees.
 - 6) Directors Emeritus may participate on *ad hoc* committees, as requested by the Board Chair.
 - 7) Directors Emeritus may actively participate in Board discussions.
 - 8) Directors Emeritus do not have voting privileges.
 - 9) Directors Emeritus must publicly support and defend Alloya as its ambassador in a highly professional manner.
 - 10) Directors Emeritus do not attend Board Executive Sessions.
 - c. Associate Director – Associate Directors have all the rights, duties, responsibilities and privileges of directors with the exception of the right to vote on motions. The duties and responsibilities of an Associate Director are as follows:
 - 1) Maintain confidentiality of all Alloya business, which requires such treatment by its nature or by direction of the Board.
 - 2) For educational purposes, an Associate Director is expected to spend the first year of service attending monthly Asset-Liability Committee (ALCO) meetings by telephone conference and personally attending the annual Board planning session. Following the first year of service, attendance at ALCO meetings is at the sole discretion of each Associate Director.
 - 3) May attend monthly Board meetings.
 - 4) Keep up-to-date on financial, legal, and service-oriented objectives related to promoting the welfare of Alloya.
 - 5) Maintain working relationships with Alloya’s CEO and committees.
 - 6) Participate on *ad hoc* committees, as requested by the Board Chair.
 - 7) Actively participate in Board discussions.
 - 8) Publicly support and defend Alloya as its ambassador in a highly professional manner.
 - d. Appointment of Associate and Emeritus Directors – Associate and Emeritus Directors will be nominated by the Board Chair and voted upon by the Board. The number of Associate and Emeritus Directors, if any, is solely at the discretion of the Board. The total number of Associate and Emeritus Directors shall at no time exceed 50% of the total number of Board seats.
 - e. Terms
 - 1) Associate Directors are appointed for a term of one (1) year and may be re-nominated by the Board Chair each successive year.
 - 2) Emeritus Directors serve for one (1) term only as an Emeritus Director, which immediately follows the completion of the term when they became eligible for emeritus status. Such term shall be a one year term.
7. Board Meetings
- a. Presiding Officer – The Chair shall preside at all Board meetings. In the Chair’s absence, the Vice Chair shall preside. In the event of the absence of both the Chair and Vice Chair, those directors present and constituting a quorum shall, by majority vote, select a presiding officer for such meeting.
 - b. Organizational Meeting – The first Board meeting following each annual meeting of the members shall be an organizational meeting at which the Board will elect a Chair, Vice Chair, Treasurer and Secretary. The first meeting shall be held within seven (7) days following the annual meeting.

- c. Regular Meetings – Regular monthly meetings typically are held at the corporate headquarters at 4450 Weaver Parkway, Warrenville, Illinois 60555. With proper advance notice and at the discretion of the Board, the meeting may be moved to an alternate location. The meetings are scheduled for convenience of the majority of the Directors. Meetings may be held by video or teleconference, however, at least one meeting per year will be in person.
 - d. Special Meetings – Special meetings may be called by the Chair of the Board, Supervisory Committee, or upon request of the majority of the Board.
 - e. Quorum – A simple majority of Board members present either in person or by phone constitutes a quorum.
 - f. Parliamentary Procedure – Robert’s Modern Rules of Order, 10th Edition, will be used as the parliamentary procedure.
 - g. Voting – Each Board member may cast one voice vote. Approval in all cases requires a simple majority of the members present, with the exception of Bylaw, Charter and Policy amendments, which require a two-thirds (2/3^{rds}) majority of the Board members present. In the event of a tie, the Board Chair may break the tie. If the Board Chair is unavailable, the Vice Chair may cast the tiebreaking vote.
 - h. Minutes – The Secretary shall cause minutes of each meeting to be kept, which will be presented for approval at the next regularly scheduled meeting. The minutes shall reflect the names of any Directors voting against a motion. No recordation of names is required for unanimous votes. Recordings of the meetings will be destroyed immediately following approval of the minutes, unless otherwise directed by a body of competent jurisdiction.
 - i. Executive Sessions – At least one time per year, or more as needed, the Board will hold an Executive Session, to which only Board members and the CEO are invited. Directors Emeritus and Associate Directors may not attend. The Board Secretary will keep minutes of these meetings. Should the Board meet without the CEO present, the Board Chair will verbally inform the CEO of the items discussed at the Executive Session within 24 hours of the meeting.
 - j. Meeting Transparency – At least one meeting per year will be an open meeting that members may attend
 - k. Meeting Notice – Notice of all Board meetings will be provided at least seven days in advance. Board meetings may be called without seven days notice if a simple majority of the Directors agree to waive the notice provision.
8. Board Succession Plan
- a. Definition – Succession planning is a system for ensuring that qualified individuals are available to fill Board vacancies, both planned and unexpected.
 - b. Planned Succession
 - 1) The Nominating Committee shall nominate at least one eligible candidate for each vacancy, including any unexpired term vacancy, for which elections are held.
 - 2) Any individual interested in serving as a member of Alloya Board or committees should make their interest known to the Board Chair.
 - 3) Individuals wishing to become Board members who are not selected by the Nominating Committee can be added to the slate of candidates pursuant to Alloya’s Bylaws by acquiring a sufficient number of member petitions. Interested candidates should contact any member of the Board or management for details.
 - c. Unplanned Succession
 - 1) In the event of the unexpected vacancy of the position of Chair, the Vice Chair will become the Acting Chair. The Board will elect a new permanent chair within two (2) months of such automatic succession pursuant to Alloya Bylaws.
 - 2) In the event of an unexpected vacancy of other Board seats, pursuant to Alloya’s Bylaws, the Chair will nominate a replacement who will be voted upon by the Board of Directors. The Board will elect a new Board member within four (4) months of such vacancy.
9. Self-Assessments
- a. Annually, the Board will ensure that a self-assessment of the Board and the Supervisory Committee is administered.
 - b. Individual results of the survey will be shared only with the respective Board or Committee members.
 - c. A summary of the results will be provided to the Board and respective Committees.

B. BOARD COMMITTEES

- 1. The Board will have the following Committees:
 - a. Executive Committee.
 - b. Supervisory Committee.
 - c. Nominating Committee.
 - d. Asset Liability Committee (ALCO).
 - e. Credit Committee.
 - f. Resolutions Committee.
 - g. Enterprise Risk Management Committee (ERMC)

- h. Other Committees – The Board Chair may appoint other committees, sub-committees, and *ad hoc* committees as necessary.
- 2. General
 - a. Board Chair – The Board Chair may serve as an *ex-officio* member of any committee, except the Supervisory Committee.
 - b. Terms – All committee members will be elected for a term of one (1) year by the Board. With the exception of the Supervisory Committee, members serve at the Board Chair’s discretion and can be removed by the Board Chair at any time for any reason or no reason.
 - c. Eligibility
 - 1) Managing officers of members with Membership Capital in good standing and Alloya staff are eligible to serve on committees.
 - 2) Committee members who cease to be eligible may serve until expiration of their terms if approved by the Board.
 - 3) Committee members must be at least 21 years of age.
 - 4) In the event that specific needed expertise cannot be attracted through its existing membership, the Board Chair may nominate an expert from outside Alloya’s membership.
 - d. Committee Nomination – Committee members shall be nominated by the Board Chair and approved by the Board.
 - e. Quorum – A simple majority of committee members present either in person or by phone constitutes a quorum.
 - f. Parliamentary Procedure – Robert’s Modern Rules of Order, 10th Edition, will be used as the parliamentary procedure.
 - g. Voting – Each committee member may cast one voice vote. Approval in all cases requires a simple majority of the members present. In the event of a tie, the Board Chair may break the tie, with the exception of the Supervisory Committee, where the Supervisory Committee Chair holds the tiebreaker. If the Board Chair is unavailable, the Vice Chair is the tiebreaker.
 - h. Minutes – The Secretary shall cause minutes of each meeting to be kept, which will be presented for approval at the next regularly scheduled meeting. The minutes shall reflect the names of any Committee Member voting against a motion. No recordation of names is required for unanimous votes. Recordings of the meeting will be destroyed immediately following approval of the minutes, unless otherwise directed by a body of competent jurisdiction.
 - i. Vacancies – Planned or unplanned vacancies must be filled within four months of the vacancy. Individuals will be nominated by the Board Chair and voted upon by the Board.
 - j. Meeting Notice – Notice of all Committee meetings will be provided at least seven days in advance. Committee meetings may be called without seven days notice if a simple majority of the Directors agree to waive the notice provision.
- 3. Executive Committee
 - a. Composition
 - 1) The Executive Committee shall consist of the Board Chair, Vice Chair, Treasurer and Secretary.
 - 2) The Committee shall be chaired by the Board Chair.
 - 3) The Board will engage in an open discussion regarding candidates for the Executive Committee positions for the coming year prior to each Annual Meeting. The discussion will allow individuals to express their interest in serving on the Executive Committee in specific positions and will also allow the Board to openly discuss related issues and future board leadership. The Board will consider the following for selection of Executive Committee members:
 - a) Succession through the offices of the Executive Committee up to the office of Chair is not guaranteed.
 - b) A candidate must possess the following criteria/qualities in order to be considered for an Executive Committee position:
 - (1) Be willing to serve in this capacity, and
 - (2) Be time committed to undertake the duties of an Executive Committee position.
 - c) A candidate must possess the following criteria/qualities in order to be considered for the office of Chair:
 - (1) It is preferred that an individual possess previous experience as the Vice Chair of a corporate credit union.
 - (2) It is preferred that an individual possess previous experience as an ALCO liaison of a corporate credit union.
 - (3) An individual must be willing to serve and be time committed to the position of Chair, which can be extensive.
 - (4) An individual must be willing and able to travel on behalf of Alloya as needed.
 - b. Duties

- 1) The Executive Committee may meet to discuss items at the request of the Executive Committee Chair.
 - 2) Annually, the Executive Committee shall prepare and present a review of the CEO's performance and set the CEO's pay, bonus and benefit package.
 - a) The Executive Committee Chair will call a meeting of the Committee immediately following the Board strategic planning session at which Alloya's Strategic Plan was approved. At this meeting, the Board Chair will present for approval the suggested annual CEO Performance Index. This Index will be in the form of a matrix based upon objectives outlined in Alloya's Strategic Plan and will be used in the Annual CEO Evaluation for the following year.
 - b) In January of each year, the Board Chair will e-mail a copy of the Annual Performance Evaluation to all Executive Committee Members. Committee members will complete the form and return it to the Board Chair by the end of the month. The Board Chair will average each evaluation completed to determine the CEO's performance ranking. The final evaluation will be approved by the full Board.
 - c) The Board Chair will meet with the CEO to share the results of the Annual Performance Evaluation and Performance Index no later than February 28th each calendar year. Once the evaluation is completed, the Board Chair will sign the evaluation and provide one copy to the CEO and one copy to the Human Resources Department. The Vice President of Human Resources will utilize the results of the evaluation to administer payment of the annual incentive award. The Vice President of Human Resources is also authorized to administer any annual payments to the CEO's deferred compensation plan(s) as stated within the plan(s).
 - d) The Executive Committee Chair shall call a meeting of the Committee to review the CEO's annual merit increase before February 28th each calendar year. The Board Chair will recommend adjustment, if any, to the CEO's annual base compensation. Adjustments will be considered based upon performance as well as a review of the marketplace. An independent market review will be performed at least once every three years for comparison. If the Committee believes the CEO's performance is commendable, the targeted compensation range should be in the 75th percentile or higher of the pay range as established by Alloya's Human Resource department. The Board Chair will authorize the Human Resources Department to backdate any adjustments agreed to by the Committee to January 1st.
 - 3) Annually, the Executive Committee shall ensure disclosure of salaries to the membership as required by applicable regulation.
 - c. Meetings
 - 1) Meetings may be held by conference call.
 - 2) The Executive Committee shall meet upon the request of the Executive Committee Chair.
 - d. Authority – The Executive Committee has the authority to review items that are brought before it. The Executive Committee will report its findings to the full Board for subsequent action, if necessary.
4. Supervisory Committee
- a. Composition
 - 1) The Supervisory Committee shall consist of three (3) Directors or members of Alloya. Supervisory Committee members shall not be members of Alloya's Credit Committee or employees of Alloya.
 - 2) Supervisory Committee members must always remain the designee of a member.
 - 3) Supervisory Committee members will be nominated by the Board Chair and voted upon by the Board.
 - 4) The Committee shall elect a Chair, who shall also serve as Secretary, from among its members at the first regularly scheduled meeting following the Annual Board Organizational Meeting by a majority vote of the members of the Committee.
 - 5) At least one Committee member will be qualified as a "financial expert." A financial expert is one who:
 - a) Understands GAAP and financial statements;
 - b) Is able to assess the application of GAAP in connection with the accounting for estimates, accruals and reserves;
 - c) Has experience in preparing, auditing, analyzing or evaluating financial statements of a breadth and complexity comparable to Alloya;
 - d) Understands internal controls and procedures for financial accounting; and
 - e) Understands Supervisory Committee functions.
 - b. Meetings
 - 1) The Supervisory Committee shall meet at least quarterly to review internal controls, auditing activities and all other reports.

- 2) Meetings may be held by conference call.
- c. Duties
 - 1) Is entrusted to be an independent source for ensuring that Alloya's assets are properly accounted for and safeguarded.
 - 2) Shall ensure that Alloya satisfies its required financial reporting objectives.
 - 3) Shall require an annual opinion audit of Alloya's financial statements by an independent CPA firm and is solely empowered to execute the Engagement Letter for this audit.
 - 4) Shall evaluate the performance of the CPA firm that performs this audit.
 - 5) Shall ensure the annual opinion audit includes the confirmation of selected member accounts at Alloya.
 - 6) Shall designate the Alloya employee acting as the Chief Audit Executive (CAE) annually at the Supervisory Committee Meeting immediately following the Annual Organizational Meeting.
 - 7) Shall perform and deliver the CAE's performance appraisal, with the input of the CEO, at least annually. This evaluation will include, within the current salary scale at Alloya, any recommendation for salary increases or bonuses.
 - 8) Shall annually approve the Internal Audit plan and Internal Audit Department budget.
 - 9) Call a special meeting of the members of Alloya to consider any violation of the provisions of the Federal Credit Union Act, regulations, charter, bylaws, or to consider any practice of Alloya which the Supervisory Committee deems to be unsafe or unauthorized.
 - 10) By unanimous vote, suspend, until the next meeting of the members of Alloya, any director or executive officer of Alloya. In the event of such suspension, the Supervisory Committee shall call a special meeting of the members of Alloya to act on said suspension in no less than seven (7) days and no more than fourteen (14) calendar days.
- d. Authorities
 - 1) Has authority to engage an independent CPA firm to perform audits as deemed necessary without action of the Board.
 - 2) Has the authority to hire and terminate the employment of the CAE. This authority may not be delegated to management.
 - 3) Other authorities as specifically noted in Alloya's Bylaws.
- 5. Nominating Committee
 - a. Composition
 - 1) The Committee shall consist of three (3) Directors or members of Alloya nominated by the Board Chair and voted upon by the Board.
 - 2) Alloya staff are not eligible to serve on the Nominating Committee.
 - 3) The Board Chair shall appoint a Chair, who shall also serve as Secretary, for the Committee prior to the Committee's first meeting following the annual Organizational Meeting.
 - b. Meetings
 - 1) The Committee shall meet at the Chair's request.
 - 2) The Committee shall meet at least once per year.
 - 3) Meetings may be held by conference call.
 - c. Duties
 - 1) To identify members in good standing who may wish to serve as Directors annually (see Appendix D for details).
 - 2) The Committee will present a slate of candidates to the Board for election at the Annual Meeting pursuant to Alloya's Bylaws.
 - 3) In the event of a contested election, the Nominating Committee has the sole right to determine unacceptable content in mailing materials to members as described in Appendix D.
- 6. Asset-Liability Committee
 - a. Composition
 - 1) The ALCO shall consist of seven (7) members.
 - 2) One member shall be an Alloya Board member.
 - 3) All other members may be Alloya Board members, designated representatives of Alloya or staff of Alloya.
 - 4) All members will be nominated by the Board Chair and voted upon by the Board.
 - 5) The Board Chair shall appoint a Chair, who shall also serve as Secretary, for the ALCO prior to the ALCO's first meeting following the annual organizational meeting.
 - b. Meetings
 - 1) The ALCO shall meet at least monthly, or more frequently at the ALCO Chair's request.
 - 2) Meetings may be held by conference call.
 - 3) At least one meeting per year will be an open meeting that members may attend
 - 4) The quorum for this committee will be a simple majority.
 - c. Duties
 - 1) The ALCO is charged with the responsibility for and the oversight of the investment, asset/liability management, market risk and capital markets credit risk management

- functions at Alloya. This mandates that investment products risks are well understood, controlled and professionally managed. The ALCO also will recommend operating policy limits related to the exercise of investment and asset/liability management activities to the Board for approval. Specific duties of the asset/liability management function are found in the ALM Oversight Policy and the ALM Operating Guideline sections of this manual. Some of the most relevant steps taken to ensure these responsibilities are fulfilled by a review of the following reports:
- a) Management reports;
 - b) Investment reports;
 - c) Net interest income and net economic (NEV) simulation report;
 - d) Liquidity reports;
 - e) A written evaluation summary of the credit limit with each obligor or transaction counterparty (at least annually);
 - f) Other reports on an as needed basis.
- d. Compliance – The ALCO is responsible for reviewing management reports, documenting asset/liability and investment compliance with NCUA regulations and Board policies. The ALCO delegates day-to-day compliance duties to the Market Risk Management and Credit Risk Management Departments.
- e. Liquidity
- 1) The ALCO is responsible for recommending financial benchmarks, review of current and prospective liquidity positions to ensure that Alloya maintains liquidity at a level which ensures the safety and soundness of Alloya under both normal circumstances and potential or stressed liquidity environments.
 - 2) Contingency Funding – The ALCO shall ensure Alloya develops a Contingency Funding Plan. This plan shall be kept current and up-to-date. The plan will be reviewed at least annually by the ALCO to ascertain the impact of changing corporate needs and market conditions.
- f. Financial Structure– The ALCO shall oversee all of Alloya’s major sources and uses of funds, as well as the management of the various books of business.
- g. Credit Analysis – The ALCO shall ensure that written credit analysis procedures are in place for those approved instruments that require credit analysis. These procedures shall detail the periodicity of credit analyses and specific review criteria. It is the ALCO’s responsibility to review compliance with these procedures.
- h. Authority
- 1) Ensure reports and information presented provide assurance key risk measures and guidelines are being met, related activity is handled professionally and responsibly, and activities support corporate policies and objectives.
 - 2) Investment and risk management staff perform their duties on an “act and report” basis for daily operations.
7. Credit Committee
- a. Composition
- 1) The Credit Committee shall consist of five (5) members.
 - 2) One member shall be an Alloya Board member.
 - 3) Members may be Alloya Board members, designated representatives of members of Alloya or staff of Alloya.
 - 4) All members will be nominated by the Board Chair and voted upon by the Board.
 - 5) All members will have relevant credit analysis experience.
 - 6) The Committee shall elect a Chair, who shall also serve as Secretary, from among its members at the first regularly scheduled meeting following the annual board Organizational Meeting by a majority vote of the members of the Committee.
- b. Meetings
- 1) Shall meet at least quarterly to review lending controls, activities, and reports.
 - 2) The quorum for this committee will be a simple majority
 - 3) Meetings may be held by conference call.
- c. Duties
- 1) To act upon any line of credit or loan application beyond the authority of the Loan Officers.
 - 2) To review credit requests denied by a Loan Officer upon the request of applicants within thirty (30) days of such written request.
 - 3) To review for approval all loans over \$10,000,000
 - 4) A copy of each loan request reviewed by the Committee shall be kept with the minutes.
- d. Authorities
- 1) As defined in this manual, the Credit Committee delegates its authority to Alloya Loan Officers.
 - 2) Loan Officers perform their duties on an “act and report” basis for day-to-day operations within their granted authority.
8. Resolutions Committee

- a. Composition
 - 1) The Resolutions Committee shall consist of three (3) Directors or members of Alloya nominated by the Board Chair and voted upon by the Board.
 - 2) Alloya staff may not serve as Resolutions Committee members.
 - 3) The Board Chair shall appoint a Chair, who shall also serve as Secretary, for the Committee prior to the Committee's first meeting following the annual organizational meeting.
 - 4) The Committee Chair shall preside at all Committee meetings. In the Chair's absence, those members present and constituting a quorum shall, by majority vote, select a presiding officer for such meeting.
- b. Meetings
 - 1) Shall meet as required, but no later than forty-five (45) days prior to the Annual Meeting.
 - 2) Meetings may be held by conference call.
- c. Purpose
 - 1) To review any new business to be addressed at the Annual Meeting and presented to the members by resolution.
 - 2) Only member credit unions and Alloya's Board may submit resolutions to the members. Resolutions from member credit unions must be dated, authorized by the credit union's Board, submitted in writing, certified by the credit union's Chair and Secretary and received in the headquarters offices of Alloya no later than sixty (60) days before the Annual Meeting.
 - 3) Resolutions submitted to Alloya sixty (60) days prior to the Annual Meeting shall be put in proper form by the Resolutions Committee at its sole discretion, reproduced and mailed to all member credit unions, and shall be included on the Annual Meeting agenda.
 - 4) Resolutions received after the sixty (60) day deadline shall not be eligible for consideration at the current year's Annual Meeting.
- d. Duties
 - 1) All resolutions other than those submitted by Alloya's Board shall be referred to such committee for study, report and recommendation to the Annual Meeting.
 - 2) The Resolutions Committee shall report on each resolution received in compliance with these Policies.
 - 3) All resolutions submitted by Alloya's Board shall be presented directly to the designated representatives at the Annual Meeting.
- e. Process
 - 1) The Chair of the Resolutions Committee shall present the resolutions at the Annual Meeting in the form desired by the Committee;
 - 2) The Chair of the Board shall then call for supporters of the resolutions to move and second them;
 - 3) The Chair of the Resolutions Committee shall then present the Committee's recommendations;
 - 4) The Chair of the Board shall then call for discussion on the resolutions; and
 - 5) At the close of discussion, the Chair of the Board shall then put the question to the designated representatives for a vote.
- 9. Enterprise Risk Management Committee ("ERMC")
 - a. Composition
 - 1) The ERMC shall be created by January 31, 2013.
 - 2) The ERMC shall consist of five (5) members.
 - 3) One member shall be an Independent Risk Expert.
 - 4) All other members may be Alloya Board members, designated representatives of Alloya or staff of Alloya.
 - 5) All members will be nominated by the Board Chair and voted upon by the Board.
 - 6) The Board Chair shall appoint a Chair for the ERMC prior to the ERMC's first meeting following the annual organizational meeting.
 - 7) The ERMC shall designate at least one member as an Independent Risk Expert who shall meet such requirements as defined in regulation.
 - b. Meetings
 - 1) The ERMC shall meet at least quarterly, or more frequently at the ERMC Chair's request.
 - 2) Meetings may be held by conference call.
 - 3) At least one meeting per year will be an open meeting that members may attend
 - c. Duties
 - 1) Responsibilities - The ERMC is charged with the responsibility for and the oversight of all risk management functions at Alloya including those delegated to other committees. This mandates that all risks assumed by the corporate, especially those not under the purview of the ALCO or Credit Committee, are well understood, controlled and professionally managed. The ERMC also will recommend operating policy limits related to the exercise of risk management activities to the Board for approval. Specific duties of the enterprise management function are found in Enterprise Risk Management section of this manual.

- 2) Compliance – The ERMC is responsible for reviewing management reports, documenting operational compliance with NCUA regulations and Board policies. The ERMC delegates day-to-day compliance duties to departments responsible for the individual risks addressed.
- d. Authority
 - 1) The ERMC fully delegates its authority to operate and monitor risks to management for day-to-day operations.
 - 2) Staff members perform their duties on an “act and report” basis for daily operations.

C. BOARD AND COMMITTEE CONDUCT AND PERFORMANCE

- 1. Gifts and Gratuities – All Board and Committee Members will adhere strictly to the Gifts and Gratuities Policy (Appendix A).
 - a. Willful violation of the Gifts and Gratuities Policy will result in progressive discipline, up to and including, official sanctioning of the behavior by the Board.
 - b. Actions resulting in risk, liability or contingent liability to Alloya will result in action by the Board and/or Supervisory Committee.
- 2. Performance Standards – All Board and Committee Members will adhere strictly to the Performance Standards listed below:
 - a. Governance Process – Board and Committee Members shall ensure the integrity and fulfillment of the Board’s governance process as set forth in their respective position descriptions (Appendix E) and the Bylaws.
 - b. Record-Keeping – The Board and Committee members will take reasonable steps to ensure that all record-keeping at Alloya is in conformance with GAAP. Further, the Board will encourage a culture of openness, integrity and transparency in all record-keeping. In all circumstances Alloya’s management and staff shall be encouraged to report data accurately and timely. Should any Board or Committee member become aware in any manner of any Alloya transaction that may be being handled improperly, it is the duty of that individual to ensure the transaction is investigated and a report provided to the Board.
 - c. Reporting Unethical Behavior – Directors and Committee members have a duty to report to the Board and/or General Counsel any suspected unethical behavior by Alloya’s Board, Committees, management, staff, vendors, members or business partners. This includes, but is not limited to:
 - 1) Misrepresenting any financial transaction;
 - 2) Misuse of Alloya’s resources;
 - 3) Not ensuring protection of Alloya’s assets.
 - d. Major Transactions – The Board has a duty to adequately evaluate any major transactions that could significantly impact Alloya. The Board will require management to present for review and approval any major transaction. Examples of major transactions can include, but are not limited to:
 - 1) Any single transaction whose likely impact, in a worst case analysis, would exceed \$250,000 in unbudgeted expenses.
 - 2) Any single transaction which management believes could have the effect of making Alloya current Strategic Plan unachievable.
 - 3) Major transactions do not include investment, lending, borrowing and repurchase transactions that Alloya engages in as a normal course of business and whose transaction limits are defined in those respective sections of this manual.
 - e. Fair-Dealing – The Alloya Board will create an environment that fosters open, honest, ethical competition to acquire any business from any source.
 - f. Review of Audited Financials – All Board and Committee members will review Alloya audited financial statements at least annually.
 - g. Access to Management – While Board and Committee members respect the appropriate division between the oversight function they play and the management role that staff and management play, any Board or Committee member has access to any staff member, advisor, regulator, consultant or auditor, if necessary in the normal performance of his/her duties.
 - h. Conflict of Interest – Directors/Committee members must be members of Alloya, free of conflict of interest as set forth in this manual and free of felony conviction and criminal record. Conflicted Directors should recuse themselves from any vote or discussion.
 - i. Knowledge – Directors/Committee members must be knowledgeable in analysis and use of financial reports, and capable of understanding and interpreting such reports as they reflect planning, operations and results of activities of Alloya.
 - j. Experience – Directors/Committee members must possess management or supervisory experience of sufficient depth and duration to enable them to understand, motivate, direct and evaluate the performance of management of Alloya.
 - k. Fiduciary responsibility – Directors/Committee members must possess or promptly acquire broad understanding of their responsibility for fiduciary oversight of Alloya. This understanding must include knowledge of the unique trust a depository financial institution has to those it serves and of the means and safeguards used to maintain and preserve this trust.
 - l. Representation – Directors/Committee members must represent the best interest of all members of Alloya.

- m. Meeting attendance – Directors/Committee members must attend meetings of the Board/committees, inform and prepare themselves, and address experience and educational needs in such manner that demonstrates due diligence to these standards and other duties and responsibilities as set forth in this Policy Manual.
 - 1) Directors are expected to attend at least seventy-five percent (75%) of scheduled Board meetings per rolling calendar year in person or via conference call. Further, directors are expected not to be absent for more than two consecutive meetings. Directors who fail to meet any of these expectations may be removed from office by a majority vote of the remaining directors.
 - 2) Committee members are expected to attend at least seventy-five percent (75%) of scheduled Committee meetings per rolling calendar year in person or via conference call. Further, committee members are expected to refrain from being absent for more than two consecutive meetings. Committee members who fail to meet any of these expectations may be removed from office by the Board Chair, with the exception of the Supervisory Committee. Supervisory Committee members may only be removed from office pursuant to Article VII, Section 8 of Alloya’s Bylaws.
 - p. Reelection – Directors and Committee members will serve and become eligible for reelection based upon the quality of their contribution to meeting these standards of performance which includes availability, alertness, initiative, interest and participation in the Board’s activities.
 - q. Other Boards – Directors and Committee members may serve on no more than five (5) other boards simultaneous with serving on Alloya’s Board and/or Committees, excluding credit union related entities.
 - r. Recruitment – Directors and Committee Members (and former Directors and Committee members for a period of six (6) months after they cease being Alloya officials) may not recruit or solicit other Alloya’s employees for employment outside of Alloya and its affiliated companies.
 - s. Training – Directors and Committee Members are required to ensure they attend on-going training. Training will be provided at least quarterly, which Directors and Committee are required to attend.
 - t. Support - Publicly support and defend Alloya as its ambassador in a highly professional manner.
3. Confidentiality
- a. Duty of Board, Committee and Staff Members – All Board, Committee and staff members receive confidential information in the course of their duties. Such information includes, but is not limited to, discussions of the Board, Committee, staff, Alloya legal issues, Alloya financial information and member credit union financial information. Any dissemination of confidential information by any means could irreparably harm Alloya and its member credit unions. Board, Committee and staff members are expected to use the utmost care and diligence with respect to keeping confidential information confidential.
 - b. Unauthorized Dissemination of Confidential Information, Remedies
 - 1) Breach by Board or Committee Member – Any allegation of a breach of the duty as defined in Section 3.a above shall be reported to the Board Chair. If the Chair, with the assistance of General Counsel, determines there is a reasonable basis to believe there has been a breach of the duty as described in Section 3.a, the Chair shall refer the matter to the Executive Committee. The Executive Committee shall conduct a hearing into the allegations giving the subject individual reasonable notice and an opportunity to be heard. If a majority of the Executive Committee believes that the subject individual has breached a duty as identified in Section 3.a above, the Executive Committee shall then determine the appropriate remedy for the breach. The Chair shall then present the findings of the Executive Committee to the full Board, giving the subject individual reasonable notice and an opportunity to be heard. The Board has the authority under article VII, paragraph 7 of the Bylaws, to take the appropriate remedy as determined by a majority of the Board, which can include, but is not limited to, suspension and disqualification.
 - 2) Breach by an Alloya Employee – All suspected breaches under Section 3.a above shall be handled according to regularly established procedures pursuant to Alloya’s Employee Handbook.
4. Conflict of Interest – The Board and Committee Members will adhere strictly to the Conflict of Interest guidance provided (Appendix B).
- a. Willful violation of the Conflict of Interest guidance will result in progressive discipline, up to, and including, official sanctioning of the behavior by the Board.
 - b. Actions resulting in risk, liability or contingent liability to Alloya will result in action by the Board and/or Supervisory Committee.
5. Volunteer Information Questionnaire – Each Director, person nominated to be a Director of Alloya, Director of a Subsidiary as well as each member of the Supervisory Committee of Alloya is required to complete a Volunteer Information Questionnaire (Appendix C) and update the information contained therein if changes occur which cause the information previously given to be materially incorrect.
6. Reimbursement – Volunteers will be reimbursed for reasonable business related travel and entertainment expenses (Appendix F).

7. Indemnification – The Board of Directors will ensure that indemnification parameters for volunteers, officers and employees as outlined in the Indemnification section of this manual are maintained.
8. Bond – The Board of Directors will obtain bond coverage in excess of the minimum regulatory requirements when necessary, to provide adequate protection to meet its unique circumstances.
9. Strategic Plan – Annually the Board will ensure that a Strategic Plan for the following year is developed and approved, which will include corporate goals that will form the basis for the CEO Performance Index.
10. CEO Performance – Annually, the Board will approve the CEO’s performance appraisal.

D. INDEMNITY

1. Power to Hold Harmless
 - a. Alloya shall have the power to indemnify any person who was, or is, a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of Alloya) by reason of the fact that he or she is or was a director, officer, Board committee member or employee of Alloya, against expenses (including reasonable attorneys’ fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding. To be eligible for indemnification, the subject must be determined by Alloya to have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of Alloya, and, with respect to any civil or criminal action or proceeding, the subject neither knew nor should have known that his or her conduct was negligent or unlawful. Alloya may indemnify employees and volunteers only to the extent permitted by Regulation.
 - b. The termination of any action, suit or proceeding by judgment or settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the subject acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of Alloya, and that the subject neither knew nor should have known that his or her conduct was unlawful.
2. Reimbursement Authorized
 - a. Any subject requesting indemnification under section 1.a above shall apply to the Chair in writing setting forth the reasons and justifications for the indemnification and showing how he or she has met the applicable standard of conduct set forth in section 1.a above. If the Chair, with assistance of Legal Counsel, determines that there is a reasonable basis for indemnification as set forth in section 1.a above, the Chair shall call a meeting of the Executive Committee to conduct a hearing on the application. The subject shall be given reasonable notice and an opportunity to be heard at the hearing. The Executive Committee, upon majority vote, shall arrive at recommendations to be presented to the Board. The determination of whether the subject is entitled to indemnification as set forth in section 1.a above shall be decided by the following factors:
 - 1) By the Board by a majority vote of a quorum consisting of directors who are not parties to such action, suit, or proceeding, or
 - 2) If such a quorum is not available, by the Board by a majority vote of a quorum consisting of directors who may or may not be parties to such action, suit, or proceeding, or
 - 3) If such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.
 - b. Advance of Expenses – Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid on behalf of the director, officer, or employee of Alloya in advance of the final disposition of such action, suit or proceeding. Advance payment will be made as authorized by the Board in each specific case. The Board will reserve the right not to advance expenses where it is determined that the director, officer, or employee benefiting is deemed not to have met the applicable standard of conduct in section 1.a above. The advance of expenses is not an indication that the subject has met the applicable standard of conduct as set forth in section 1.a above, and is not a commitment by the Board to pay any future expenses including, but not limited to, fines, penalties, judgments, settlements, expenses, reasonable attorneys’ fees, etc. The Board, in a situation where expenses have been authorized, has the right to approve the subject’s counsel and such approval shall not be unreasonably withheld.
3. Exceptions
 - a. Alloya may indemnify and advance expenses on behalf of a director, officer or employee of Alloya except for liability arising out of conduct that constitutes:
 - 1) Liability in connection with a proceeding by or in the right of Alloya other than for expenses incurred in connection with the proceeding, or
 - 2) Receipt by the director, officer or employee of a financial benefit, to which he or she is not entitled, or
 - 3) An intentional infliction of harm on Alloya, its members and the other officers, directors and employees, or
 - 4) Any intentional violation of applicable criminal law.
 - 5) Any civil or criminal action brought against an employee or volunteer by the NCUA Board.

IV. BOARD/CEO LINKAGE (DELEGATION)

A. DEFINITION

1. To the extent this does not abrogate the Board's duties and responsibilities imposed by statute and regulation, the Board's only official connection to the operation of Alloya, its achievement and conduct is through its CEO.

B. LINKAGE

1. Only officially passed motions of the Board are binding on the CEO.
2. The Chair will act as a direct liaison to the CEO on behalf of the Board.
3. The Board will instruct the CEO through written policies, bylaws, position description, and motions which prescribe the organizational Ends to be achieved and describe organizational situations and actions to be avoided allowing the CEO to use any reasonable interpretation of these Policies.
4. The Executive Committee is empowered to perform the evaluation of the CEO, to oversee the compensation and/or benefits of the CEO and to interface with the CEO on issues only as directed by the Board.
5. CEO evaluation and compensation will be based upon systematic and rigorous monitoring of CEO job performance and against expected CEO outputs including but not limited to:
 - a. Organizational accomplishment of Board policies on Ends;
 - b. Organizational operations within the boundaries established in Board policies on Executive Limitations, and
 - c. The performance standards set forth in the CEO position description.

V. ENDS

A. DEFINITION

1. As a result of Alloya providing quality, competitively priced financial services and solutions, member credit unions may more effectively and efficiently serve their members while maximizing everyone's financial performance.

VI. EXECUTIVE LIMITATION

A. DEFINITION

1. The CEO will not cause or allow any practice, activity, decision or circumstance that is either unlawful, imprudent, or in violation of generally accepted business practices, professional ethics, or regulations.

B. LIMITS

1. The CEO may not allow the assets of Alloya to be unprotected, inadequately maintained or unnecessarily risked.
2. The CEO will not permit financial benchmarks to fall outside Board-stipulated requirements as identified.
3. The CEO will not fail to submit annual financial benchmarks to the Board for acceptance and ratification.
4. The CEO will not have less than one other executive familiar with Board and CEO issues and processes, in order to fill the position for an interim period or in the CEO's absence.
5. The CEO will not fail to submit the annual budget, capital plan, strategic plan and recommendation for bond coverage to the Board for approval during the fourth quarter of each calendar year.
6. The CEO may not change his or her own compensation and/or benefits.
7. The CEO will not compromise Ends achievement by limiting compensation levels below market.
8. The CEO may not purchase, encumber or dispose of Alloya's real property.
9. The CEO may not approve a single expenditure of more than \$250,000 outside the annual budget.
10. The CEO may not reallocate funds within the budget in excess of \$250,000 per item.
11. The CEO will not fail to implement a leadership plan for Alloya.
12. The CEO will not fail to keep the Board informed of important or relevant issues as they occur.
13. The CEO will not fail to keep the Board informed, via the next regularly scheduled Board meeting packet, of any changes and/or exceptions made to Alloya's operating guidelines.

VII. GOVERNANCE POLICY APPENDICES

APPENDIX A – GIFTS AND GRATUITIES

- A. **OBJECTIVE** – The objective of the Appendix is to establish guidelines for the receipt of gifts, gratuities and other items of value by Officers, Directors, and Committee members (collectively “Alloya officials”) in the performance of their official duties on behalf of Alloya. The Board of Directors intends that all Alloya officials shall conduct themselves with the utmost integrity and adherence to the laws and regulations applicable to this institution.
- B. **SCOPE** – This Appendix encompasses the acceptance of goods, money and services by Alloya officials and any potential conflicts of interest and restrictions these transactions could create.
- C. **DELEGATION OF AUTHORITY** – The Board of Directors delegates to the Supervisory Committee the authority to review the information presented by any Alloya official who has been offered, has received or anticipates receiving something of value beyond what is expressly authorized by this policy, and to adjudicate on the appropriate disposition of the matter under applicable laws and regulations, in conjunction with legal counsel, as needed.

The Chair of the Board of Directors and CEO are authorized severally to establish such procedures as are reasonably necessary to avoid conflicts of interest by the personnel included in the scope of this Appendix resulting from gifts and/or gratuities.

D. **PROHIBITED ACTIVITIES**

1. Alloya officials are prohibited from performing the following activities:
 - a. Soliciting anything of value from third parties in return for any business, service or confidential information of Alloya;
 - b. Accepting items of value from third parties in return for conducting Alloya business either before or after a transaction is discussed or consummated; and
 - c. Self-dealing or trading on investment positions, or accepting a business opportunity, based on information that is not available to the general public.
2. The above prohibitions exclude normal wages, salaries, fees and reimbursements of expenses from Alloya and the following items:
 - a. Alloya officials may accept items of value based on pre-existing personal or family relationships, where the circumstances make it clear that it is those relationships that are the motivating factor in the offering of the items of value;
 - b. Alloya officials may accept meals, refreshments and entertainment of reasonable value in conjunction with meetings and other occasions during which *bona fide* business discussions take place and provided these expenses would be paid by Alloya if not paid for by the other party as a reasonable business expense;
 - c. Alloya officials may accept loans to finance proper and usual activities on customary terms from other financial institutions with which Alloya has relationships, except where prohibited by law;
 - d. Alloya officials may accept advertising or promotional material of nominal value (pens, key chains, etc.);
 - e. Alloya officials may accept discounts and rebates on merchandise and services where such discounts and rebates do not exceed those available to other customers;
 - f. Alloya officials may accept gifts of modest value (less than \$350 in estimated value). Alloya officials must report all gifts they receive of \$350 or more, in estimated value, to the Supervisory Committee; and
 - g. Alloya officials may accept awards from civic, charitable, educational and religious organizations for recognition of service and accomplishments.

E. **DISCLOSURE REQUIREMENTS**

1. Alloya officials shall submit, at the time of entering service, written acknowledgments that they have read and will follow this Guideline. Form A will be utilized for such acknowledgments.

2. Any Alloya official who is offered, receives or anticipates receiving something of value beyond what is expressly authorized by this Appendix must disclose it to the Supervisory Committee Chair or his or her designee using Form B.
3. If any doubt exists in the mind of an Alloya official as to the appropriateness of accepting something of value, such official should seek guidance from Alloya General Counsel to determine the proper course of action.
4. The Supervisory Committee Chair or his or her designee is responsible for maintaining a written record of disclosures submitted in conjunction with this Appendix.

**FORM A
GIFTS AND GRATUITIES
ACKNOWLEDGMENT FOR OFFICERS,
DIRECTORS AND BOARD COMMITTEE MEMBERS**

I hereby verify by my signature below that I have read and will abide by Alloya Gifts and Gratuities Appendix and other provisions contained in the policies, rules and regulations adopted by Alloya from time to time, and will make the disclosures required by the Gifts and Gratuities Appendix.

Name: _____

Date: _____

Title: _____

FORM B
GIFTS AND GRATUITIES DISCLOSURE FORM

All Alloya officials (officers, directors and Board Committee Members) must use this form to disclose the following items to Alloya Supervisory Committee:

1. Any instances of being offered, having received, or anticipating receiving something of value beyond what is expressly authorized by the Gifts and Gratuities Appendix;
2. Any instance of non-compliance with the Gifts and Gratuities Appendix.

Disclosure(s): _____

Name: _____

Date: _____

Title: _____

APPENDIX B – CONFLICT OF INTEREST FOR OFFICERS, BOARD AND COMMITTEE MEMBERS

The Board of Directors of Alloya, in order to limit the possibility of any conflict of interest which might arise because an officer, committee member or member of the Board of Directors of Alloya is also a member, director, officer or financially interested in a corporation or other business entity with which Alloya will be entering into a contract, hereby adopts the following Appendix:

1. Each director, committee member or officer of Alloya called upon in any manner, directly or indirectly to participate in the deliberation upon or the determination of any question affecting his/her pecuniary interest of any corporation, partnership or association (other than this Credit Union) in which he or she is directly or indirectly interested shall immediately, and prior to the beginning of such deliberations, bring to the attention of the deliberating body the potential conflict of interest, setting forth on the record the nature and extent thereof.
 - a. An individual is "interested" in an entity if he or she
 - (i) Serves as a director, officer or employee of that entity;
 - (ii) Has a business, ownership or deposit relationship with the entity; or
 - (iii) Has a business, financial or familial relationship with an individual whom he or she knows has a pecuniary interest in this entity.
 - b. This disclosure shall not apply to matters involving general policy applicable to all members, such as dividend or loan rates or fees for services.
 - c. Notwithstanding the foregoing, an officer, director or committee member who is the holder of less than five (5%) percent of the outstanding shares of stock of a publicly held corporation, or other business entity, shall not be deemed to have a financial interest in such corporation or business entity.
2. If a disclosure is made pursuant to paragraph "1" herein, the matter may be submitted to Alloya's General Counsel for a determination of whether a conflict of interest exists based on the Federal Credit Union Act, the rules and regulations issued from time to time by the National Credit Union Administration, opinion letters issued by the National Credit Union Administration and general corporate law. The determination by General Counsel that a conflict of interest exists shall be binding and conclusive.
3. Except where General Counsel determines otherwise, the existence of a relationship as defined and described in paragraph "1" herein shall be deemed to constitute a conflict of interest requiring the affected director, committee member or officer to fully comply with the terms and provisions of this Guideline.
4. Where a conflict of interest exists, the director, committee member or officer shall not participate in the deliberation of any action to be taken by Alloya or vote thereon with respect to the contract, loan or transaction involving any corporation or other business entity in which such director, committee member or officer has a financial interest or is a director, officer or member thereof. Such interested director, committee member or officer, however, may be present during the vote and may be counted in determining the presence of a quorum at such meeting.
5. Each director, officer, or committee member of Alloya shall be provided with a copy of this Appendix. Each director, officer and committee member shall be required to furnish a Conflict of Interest Disclosure to the Chair of Alloya Board of Directors acknowledging receipt of this Guideline and his/her agreement to fully comply with it upon election or appointment to the Alloya Board or one of its Committees.

If this Appendix should at any time conflict with the terms and provisions of any applicable laws, rules and/or regulations, including those regulations issued by the National Credit Union Administration, this Appendix shall immediately be deemed amended to comply with such applicable laws, rules and regulations.

Conflict of Interest Considerations

1. As an official director, officer, employee, agent, nominee or committee member of one or more of the entities indicated below, have you ever:
 - a. Directly or indirectly received any commission, other compensation or financial incentive, or a promise of the same, on the business transactions of said entities, other than your normal reimbursement, salary, or compensation?
 - b. Held any other position with Alloya Corporate Federal Credit Union or other entity that might conflict with the interest of or impair your independence of judgment in the exercise of your duties?
 - c. Disclosed any confidential information or used such information to further your own personal interests to the disadvantage of Alloya Corporate Federal Credit Union or the other entities listed below?
 - d. Received any gift or entertainment of substantial value or any personal favor from any person who has or is likely to have any business dealings with Alloya Corporate Federal Credit Union? (This is not intended to apply to the ordinary courtesies of business life such as token gifts valued at less than \$350 or modest entertainment incidental to a business relationship.)
 - e. Held or made any personal investment which might conflict with the interest of or impair your independence of judgment in the exercise of your duties with Alloya Corporate Federal Credit Union?
2. If the answer to any part of Question No. 1 above is "YES", you must disclose this as a conflict.

Conflict of Interest Disclosure

In accordance with the Conflict of Interest Appendix, volunteers, officers and nominees of Alloya Corporate Federal Credit Union must complete this disclosure upon election, appointment or a material change in circumstance that would affect this Disclosure.

1. Please check each corporation of which you are currently a director, officer, employee, agent, nominee, committee member or have a pecuniary interest:
 - Alloya Corporate Federal Credit Union
 - Any state credit union league
 - Subsidiaries of any state credit union league
 - Other _____
 - Other _____
2. I hereby acknowledge that I have received a copy of the Conflict of Interest Appendix adopted by Alloya Board, a copy of which is attached. I agree to make full and complete disclosure of any conflict of interest that I have or may have in the future. I further agree that if I have any conflict of interest in my capacity as director, officer, employee, agent, nominee or committee member, I will adhere to the said guideline relating to said conflict of interest.
3. Please complete the certification below:

I certify, to the best of my knowledge and belief, that:

 - I have no present conflict of interest within the Conflict of Interest Appendix.
 - I have the following conflict of interest (attach page describing the conflict(s) in detail):

Date: _____

Signature

Returned by _____
Date _____

(Please type name)

ATTENTION: Chair of the Board of Directors
Alloya Coporate Federal Credit Union
4450 Weaver Parkway
Warrenville, IL 60555

APPENDIX C – VOLUNTEER INFORMATION QUESTIONNAIRE

Name of person completing this Questionnaire:

**ALLOYA CORPORATE FEDERAL CREDIT UNION AND SUBSIDIARIES
DIRECTOR AND SUPERVISORY COMMITTEE PERSONAL INFORMATION
QUESTIONNAIRE**

Alloya and its Subsidiaries engage in businesses and conduct activities which are subject to regulation by numerous Federal and state regulatory agencies as well as self-regulated organizations. These agencies include, but are not limited to, the National Credit Union Administration and the United States Securities and Exchange Commission.

The information requested in this Questionnaire may be used to meet the filing requirements of the various regulatory bodies to which Alloya and its Subsidiaries are subject. In addition, the information will also be used to assess the need for various types of disclosures in connection with the offering or sale of Alloya Corporate Federal Credit Union (“Alloya”) securities, which are subject to Federal and state securities laws. If additional space is needed to respond to any question, attach a continuation sheet to the end of the Questionnaire identifying each question to which the additional information applies.

Each director or associate director of Alloya, director of a Subsidiary, and each member of the Supervisory Committee of Alloya is required to complete this Questionnaire within thirty (30) days following Alloya’s Annual or regular Meeting at which they were duly elected or appointed and to subsequently update the information contained herein if changes occur which cause the information previously given to be materially incorrect.

Several terms used in this Questionnaire, and any supplement hereto, shall have technical meanings which are explained in the “Definitions” section, which appears at the end of this Questionnaire. Before answering a question which includes one of these technical terms, it is important that you refer to the definition explaining such term and understand its meaning.

THE CONTENTS OF THIS QUESTIONNAIRE COULD PROVIDE THE BASIS FOR DISCLOSURES IN AN OFFERING CIRCULAR AND THUS COULD CONSTITUTE REPRESENTATIONS OF A MATERIAL NATURE BEING MADE TO INVESTORS. ACCORDINGLY, CIVIL AND/OR CRIMINAL LIABILITY TO ALLOYA FCU AND TO YOU MAY RESULT IF THOSE REPRESENTATIONS ARE INACCURATE OR INCOMPLETE. GREAT CARE SHOULD THEREFORE BE EXERCISED IN COMPLETING THIS QUESTIONNAIRE. BY COMPLETING AND FORWARDING THIS QUESTIONNAIRE YOU CONSENT TO SUCH DISCLOSURE.

QUESTION 1

Biographical Information

(a) Your full name: _____

(b) Your business address: _____
(Street)

(City) (State) (Zip Code) (Phone)

(c) Your home address: _____
(Street)

(City) (State) (Zip Code) (Phone)

Length of time at this address: _____

If less than five years, please list previous address for last five years.

(City) (State) (Zip Code)

- (i) List your education, beginning with the last high school or preparatory school attended and including all colleges, universities and other schools of higher learning attended.

	Name/City/State	Dates Attended	Field of Study	Degree(s) Received
High School				
College				
Advanced Studies				

- (j) Give a brief account of your business experience during the past ten (10) years, including your principal occupations and employment during that period.

Period of Service: _____
 (Month/Year)

 (Name of Organization)

 (City) (State)

Principal business: _____

Size of Organization: _____

Nature of your responsibilities: _____
 Supervisor: _____

Reason for leaving: _____

Period of Service: _____
 (Month/Year)

 (Name of Organization)

 (City) (State)

Principal business: _____

Size of Organization: _____

Nature of your responsibilities: _____
 Supervisor: _____

Reason for leaving: _____

- (k) Provide the information set forth below with respect to any directorships held by you in corporations other than Alloya or a Subsidiary:

Position Held	Name of Company	Period of Service

QUESTION 2

Involvement in Certain Legal Proceedings

Provide the information requested below for the period indicated:

- (a) Within the past ten (10) years¹ was a petition under the federal bankruptcy laws, or any state insolvency law, filed at any time by or against (i) you, (ii) any partnership in which you were a partner or general partner, or (iii) any corporation or business association or entity of which you were an executive officer, member, manager or partner;
- Yes No
- (b) Within the past ten (10) years was a receiver, fiscal agent or similar officer appointed by a court at any time for (i) your business or property, (ii) the business or property of any partnership of which you were a partner or general partner, or (iii) the business or property of any corporation, business association or entity of which you were an executive officer, member, manager or partner;
- Yes No
- (c) Were you ever arrested for a crime or are you a named subject of a pending criminal proceeding (excluding traffic violations)?
- Yes No
- (d) Has any court:
- (1) in the past ten (10) years, enjoined you in connection with any investment-related activity?
- Yes No
- (2) ever found that you were involved in a violation of investment-related statutes or regulations?
- Yes No
- (e) Has a claim pertaining to a fidelity bond ever been filed against you?
- Yes No
- (f) Have you ever been denied coverage under a fidelity bond?
- Yes No
- (g) Are there any civil suits pending against you?
- Yes No
- (h) Are there any other legal proceedings, judicial or administrative, pending against you?
- Yes No
- (i) Are there any outstanding judgments against you?
- Yes No

If your answer to any of the foregoing questions is "yes," please describe such events, including the date of the event, the name of the court or administrative body and its jurisdiction, and other pertinent information, including any mitigating circumstances associated with the events described herein.

¹ For purposes of computing the ten (10) year period, the date of the reportable event shall be deemed the date on which the final order, judgment or decree was entered, or the date on which any rights of appeal from preliminary orders, judgments or decrees have lapsed. With respect to a bankruptcy petition, the computation date shall be the date of filing for uncontested petitions or the date upon which approval of a contested petition became final.

QUESTION 4

Performance-Related Information

- (a) Are you agreeable to the nomination?
Yes No
- (b) Are you time committed to the duties and responsibilities required of the office?
Yes No
- (c) Are you open minded and willing to work in a team environment for the best interest of Alloya?
Yes No
- (d) Do you possess the willingness to learn and be educated about corporate credit unions?
Yes No
- (e) Will you serve if elected?
Yes No

THE UNDERSIGNED HEREBY CERTIFIES THAT THE ANSWERS WHICH HAVE BEEN SUPPLIED IN RESPONSE TO THE QUESTIONS IN THIS QUESTIONNAIRE ARE TRUE, COMPLETE AND CORRECT TO THE BEST OF THE UNDERSIGNED'S KNOWLEDGE, INFORMATION AND BELIEF, AFTER REASONABLE INQUIRY. THE UNDERSIGNED AGREES TO PROMPTLY NOTIFY THE SECRETARY OF ALLOYA IF ANY OF THE FOREGOING INFORMATION BECOMES MATERIALLY INACCURATE OR INCOMPLETE OR OTHERWISE ADVERSELY CHANGES.

THE UNDERSIGNED ALSO ACKNOWLEDGES THAT THE INFORMATION CONTAINED HEREIN, OR A SUMMARY THEREOF, MAY BE REQUIRED TO BE DISCLOSED BY ALLOYA AND ITS SUBSIDIARIES TO THEIR REGULATORY AUTHORITIES, AND THAT A NATIONAL CREDIT CHECK OR A NATIONAL BACKGROUND CHECK MAY BE REQUIRED, WHICH CREDIT AND BACKGROUND CHECKS ARE HEREBY AUTHORIZED.

UNDERSIGNED FURTHER AGREES THAT UNDERSIGNED WILL, WITHIN THIRTY (30) DAYS OF RECEIPT OF WRITTEN REQUEST FROM ALLOYA, SUPPLEMENT THIS QUESTIONNAIRE TO THE EXTENT DEEMED NECESSARY BY ALLOYA FROM TIME TO TIME. THE FAILURE TO FULLY COMPLETE AND FILE ANY SUPPLEMENT WITHIN SAID THIRTY (30) DAY PERIOD SHALL BE GROUNDS FOR REMOVAL OF UNDERSIGNED FROM ANY OFFICE THEN HELD BY UNDERSIGNED AT ALLOYA OR ANY SUBSIDIARY.

LASTLY, UNDERSIGNED UNDERSTANDS AND AGREES THAT IF ANY INFORMATION CONTAINED HEREIN SHOULD BE FOUND TO BE MATERIALLY INCORRECT SUCH WILL BE GROUNDS FOR REMOVAL OF UNDERSIGNED FROM ANY POSITION THEN HELD OR TO BE HELD AT ALLOYA OR ANY OF ITS SUBSIDIARIES.

Signature Date

Please Type or Print Name

Definitions

- 1. "**Director**" means those persons who from time to time are and/or are nominated to be directors, directors emeritus and associate directors of Alloya or its Subsidiaries.
- 2. "**Investment**" or "**Investment-Related**" means pertaining to securities, commodities, banking, insurance, or real estate (including, but not limited to, acting as or being associated with a broker-dealer, investment company, investment adviser, futures sponsor, bank, savings and loan association or credit union).
- 3. "**Fiscal Year**" means the period ended December 31 of the most recent previous year.
- 4. A "**Subsidiary**" of Alloya is any corporation, partnership, Limited Liability Company, association or other entity that is directly, or indirectly through one or more intermediaries, controlled by Alloya.
- 5. "**Supervisory Committee Member**" means those persons who, from time to time, are and/or are nominated to be a member of Alloya Supervisory Committee.

APPENDIX D – NOMINATION

Candidates may be nominated in one of two ways:

A. NOMINATIONS BY THE NOMINATING COMMITTEE:

1. A member may nominate a Designated Representative by filing with the Secretary a nomination packet, which shall include:
 - a. A photograph of the candidate, unless one presently is on file at Alloya;
 - b. A Volunteer Questionnaire completed and signed by the nominee;
 - c. A completed and signed Conflict of Interest Disclosure; and
 - d. A completed Public Relations Information Form.
2. The Secretary shall deliver all nominations to the Nominating Committee.
3. The Nominating Committee shall:
 - a. Only nominate those candidates who are the Designated Representatives and “C” level employees of credit unions that are members of Alloya.
 - b. Only nominate those candidates who are in good standing and have Membership Capital Shares on deposit that are not on notice of intent to withdraw.
 - c. Only nominate those candidates who are not in direct, purposeful competition with Alloya.
 - d. Only nominate those candidates who are time committed to undertake the duties as an elected director.
 - e. Only nominate those candidates who are open minded and willing to work in a team environment for the best interest of Alloya.
 - f. Only nominate those candidates who possess the willingness to learn and be educated about corporate credit unions.
 - g. Only nominate those candidates who have a positive influence in the credit union movement.
 - h. Give greater consideration to those candidates that possess prior corporate volunteer experience.
 - i. Not nominate candidates submitting incomplete or inaccurate packets as outlined in this document.
 - j. Consider candidates who will best represent the interests of Alloya and its membership. At a minimum, consideration shall be given to credit union asset size, geographic location, and use of Alloya products and services to ensure the diverse characteristics of Alloya’s membership is represented on its Board of Directors.
4. If the Nominating Committee does not receive a sufficient number of nominations to fill all the Board of Directors seats that will be available as of the Annual Meeting, the Nominating Committee may nominate designees to fill the remaining Board of Directors positions after verifying that such designees are qualified and willing to serve on the Board of Directors.
5. If the number of nominees exceeds the number of available Board of Directors positions, the Nominating Committee shall select one (1) individual for each open seat. The Nominating Committee shall select the Designated Representative(s) that best represents the membership as a whole taking into consideration geographic location, credit union size and individual experience.
6. The Nominating Committee shall file the nominations with the Secretary at least ninety (90) days prior to the Annual Meeting.
7. Pursuant to Alloya’s Bylaws, the Board Secretary shall notify in writing all members eligible to vote at least seventy-five (75) days prior to the Annual Meeting that nominations for vacancies may also be made by petition signed by five percent (5%) of the members with a minimum of five (5) members and a maximum of one hundred (100) members. The written notice shall indicate that the election will not be conducted by ballot and that there will be no nominations made from the floor when there is only one (1) nominee for each position to be filled.

B. NOMINATIONS BY PETITION:

1. An individual may nominate a designee for a director position by submitting a petition to the Secretary signed by five percent (5%) of the members with a minimum of five (5) members and a maximum of one hundred (100) members.
2. The petition must be accompanied by a nomination packet, which shall include:
 - a. A photograph of the candidate, unless one presently is on file at Alloya;
 - b. A Volunteer Questionnaire completed and signed by the nominee;
 - c. A completed and signed Conflict of Interest Disclosure; and
 - d. A completed Public Relations Information Form.
3. Nominations by petition must be received at corporate headquarters addressed to the attention of the Nominating Committee Chair by the close of business at least forty-five (45) days prior to the Annual Meeting. The petition will be reviewed by the Nominating Committee to determine that all of the criteria set forth in Alloya's Bylaws and Policies and applicable regulations have been satisfied and, if so, the petition shall be filed with the Board Secretary within forty (40) days prior to the Annual Meeting.
4. If the petition process results in more than one person being nominated for any open Board of Directors position, the membership shall be notified and a mail ballot shall be distributed to all of the Designated Representatives so that they may cast their votes as prescribed in the Bylaws.
5. Mailings to Designated Representatives to Seek Nomination by Petition
 - a. Members who wish to seek election by petition may submit materials to Alloya to be mailed to designated representatives for the purpose of acquiring the required number of signatures under the Bylaws.
 - b. The Nominating Committee may review these materials and, at its sole discretion, decide whether the information may be mailed to the membership in its current form and/or request the member to change the form or substance of the mailing.
 - c. Alloya will, on the member's written request, mail to all Alloya's current designated representatives, materials approved by the Nominating Committee requesting support for a designated representative's petition.
 1. Such materials will not contain Alloya's branding, logos, or other identification.
 2. Alloya reserves the right to charge the designated representative for postage.
 3. Alloya will cause such mailing to occur within five (5) business days of receipt.
 4. Alloya will perform one such mailing for each petitioner each year.
6. Mailings to Designated Representatives to Solicit Member Votes
 - a. Alloya will, on behalf of any nominee whether nominated by the Board or by petition, mail materials in support of a nominee's candidacy.
 - 1) Such materials will not contain Alloya's branding, logos, or other identification.
 - 2) Alloya reserves the right to charge the nominee for postage and supplies.
 - 3) Alloya will cause such mailing to occur within five (5) business days of receipt.
 - 4) Alloya will perform one such mailing for each nominee each year.
 - b. Alloya may, at the sole discretion of the Nominating Committee, mail these items individually or collectively.
 - c. The Nominating Committee has the sole discretion of determining what is unacceptable in this mailing.

APPENDIX E – POSITION DESCRIPTIONS

Officers of the Board of Directors

In addition to the duties and responsibilities of a member of the Board of Directors of Alloya as set forth in the Bylaws of Alloya, the following duties and responsibilities apply to the specific officers of the Board of Directors.

- A. CHAIR – The Chair shall call for and preside over all meetings of the Board of Directors of Alloya and its members. (S)He shall perform such duties that customarily appertain to the office of Chair or perform duties assigned to him/her by the Board of Directors. All duties performed are to be consistent with the Federal Credit Union Act, NCUA Rules and Regulations, Alloya’s Bylaws, these Policies, and sound business practices. It shall be the responsibility of the Chair to:
1. Responsibilities:
 - a. Leads the organization toward the accomplishment of its Vision and Mission Statements.
 - b. Leads Board meetings and official functions.
 - c. Prepares an agenda for, convenes, and presides over all meetings of the Board of Directors and the members, excluding any special meetings called by the Supervisory Committee.
 - d. Ensures National Credit Union Administration (“NCUA”) examination reports are submitted to the Board of Directors for review and necessary action. In cooperation with CEO, informs NCUA of actions taken.
 - e. Ascertains that the Supervisory Committee has conducted the required number of audits.
 - f. Calls special meetings of the Board of Directors when necessary or upon proper request.
 - g. Nominates all members of standing committees (i.e. Resolution and Nominating Committees), which subsequently must be approved by the Board of Directors.
 - h. Appoints Committee Chairs pursuant to the Policies.
 - i. Carries out special assignments in collaboration with the CEO and Board of Directors.
 - j. Reports to the members at the Annual Meeting on the affairs and conditions of Alloya.
 - k. Serves as the CEO’s primary and administrative Board contact.
 - l. Defines volunteer roles and assigns responsibilities.
 - m. Encourages commitment and cooperation from each volunteer.
 - n. Works with the CEO to achieve a high level of cooperation between the Board and senior management.
 - o. Serves as the Executive Committee Chair.
 2. Qualifications:
 - a. The ability to lead the Board of Directors to accomplish its work efficiently. This includes the ability to lead Board Meetings and Executive Sessions in a way that all opinions can be expressed, with discussions directed toward conclusions.
 - b. An understanding of the long-range needs of the organization to provide an effective Board contact.
- B. VICE CHAIR – The Vice Chair shall assist the Chair and provide backup in the execution of duties of the Chair. It shall be the responsibility of the Vice Chair to:
1. Responsibilities:
 - a. Assumes the duties of the Chair when the Chair is absent or unable to perform.
 - b. Serves on the Executive Committee.
 - c. Perform other duties as assigned by the Chair and/or Board of Directors.
 2. Qualifications:
 - a. The ability to serve as Chair when necessary.
 - b. An understanding of the long-range needs of the organization to provide an effective Board contact.
- C. TREASURER – The Treasurer shall ensure full and complete records of all Alloya assets and liabilities are maintained in accordance with the Federal Credit Union Act, NCUA Rules and Regulations, Alloya’s Bylaws, these Policies, and that the books and records are available for audit by the Supervisory Committee and examination by NCUA. It shall be the responsibility of the Treasurer to:
1. Responsibilities:
 - a. Ensures GAAP-compliant financial statements are prepared in a timely manner.
 - b. Ensures timely accurate financial information is provided to the Board.
 - c. Participates as a member of the ALCO.
 - d. Presents written and/or verbal financial reports to the Board at least quarterly.
 - e. Ensures that full and complete records of all assets and liabilities of Alloya are maintained.
 - f. Performs other duties that customarily appertain to the Treasurer or that (s)he may be directed to perform by resolution of the Board of Directors not inconsistent with the Federal Credit Union Act, NCUA Rules and Regulations, Alloya’s Bylaws, these Policies .
 - g. Perform special assignments as requested by the Chair and/or Board of Directors.
 2. Qualifications:
 - a. The ability to oversee and evaluate the financial reporting system of Alloya and makes recommendations to correct any flaws in that system.

- b. The ability to work effectively with Alloya’s Chief Financial Officer to ensure the accuracy and adequacy of Alloya financial reporting.
- D. **SECRETARY – General Functions:** The Secretary shall ensure that full and complete records of all meetings of the Board of Directors and members are prepared and maintained within seven (7) days of each meeting. It shall be the responsibility of the Secretary to:
- 1. Responsibilities:
 - a. Maintains Board records and official correspondence.
 - b. Reviews the minutes of Board meetings, ensuring their accuracy.
 - c. Maintains records of Director attendance at Board meetings and informs the Chair of excessive absences.
 - d. Maintains records of election and appointment of volunteers.
 - e. Secures appropriate Board officer signatures on documents requiring Board authorization.
 - f. Delegates applicable responsibilities to Recording Secretary.
 - g. Informs NCUA in writing of any change in:
 - 1) The address of Alloya offices,
 - 2) The location of its principal records, or
 - 3) Officers and directors of Alloya.
 - h. Prepares notices of meetings as required by Alloya’s Bylaws.
 - i. Serves on the Executive Committee.
 - j. Ensures the Supervisory Committee receives a full copy of all Board of Director’s minutes.
 - k. Performs such other duties as (s)he may be directed by resolution of the Board of Directors not inconsistent with the Federal Credit Union Act, NCUA Rules and Regulations and Alloya’s Bylaws.
 - l. Carries out other duties as assigned by the Chair and/or Board of Directors.
 - m. At the recommendation of the CEO, the Board authorizes the Board Secretary to execute any and all Resolutions required for the establishment or maintenance of any correspondent banking accounts without formal action by the Board. The Secretary shall sign and seal these documents as required.
 - 2. Qualifications:
 - a. The ability to oversee and evaluate the record keeping system of the Board of Directors and to identify and correct flaws in that system.
 - b. The ability to work effectively with the Recording Secretary of the Board to ensure the accuracy and adequacy of the minutes of Board meetings.
- E. **DIRECTORS – General Functions:** The Board of Directors has fiduciary responsibility for all the operations and functions of Alloya. To carry out this responsibility, the Board of Directors must clearly establish policy, select competent management, and assure itself that management is performing properly.
- 1. The duties of the members of the Board of Directors are as follows:
 - a. Attend and actively participate in monthly Board of Directors meetings, in the annual planning sessions, and in meetings of the membership of Alloya.
 - b. Ensure that all business affairs of the credit union and affairs of members are kept in strictest confidence, and refrain from relationships that present a conflict of interest for Alloya.
 - c. Direct CEO to amend Alloya’s Charter or Bylaws, when appropriate.
 - d. Select CEO and determine job duties and responsibilities.
 - e. Attend the Annual Meeting, and report to Alloya’s membership on the financial progress of Alloya and Board activities during the previous calendar year.
 - f. Perform other duties as determined by the Board of Directors or Alloya’s Bylaws.
 - g. Establish and approve the annual budget.
 - h. Review all monthly reports and financial statements.
 - i. Exercise due diligence to assure that Alloya meets all applicable Federal and state regulations and requirements.
 - j. Keep up-to-date on financial, legal, and service-oriented objectives related to promoting the welfare of Alloya.
 - k. Maintain working relationships with Alloya’s CEO and committees.
 - l. Monitor the activities of the Supervisory Committee.
 - m. Establish Alloya’s Policies, including employment policies.
 - n. Participate on any *ad hoc* committees, as requested by the Board of Directors.
 - o. Each director at his/her own discretion may participate in monthly ALCO meetings.
 - p. Publicly support and defend Alloya as its ambassador in a highly professional manner, however, this duty will not be interpreted, nor will it be enforced, so as to restrict or prohibit the free expression of disagreement by any Board member.

APPENDIX F – VOLUNTEERS’ EXPENSES

- A.** Permissible Expenses – The following are permissible expenses:
1. Travel Period – When scheduling or necessary travel time requires, travel days shall be allowed for the day prior and/or the day after the business purpose of the trip for domestic travel, and two days prior and/or after for international travel. Appropriate expense reimbursement will be made for permissible business-related expenses incurred during these timeframes.
 2. Transportation – Transportation to and from a location of a meeting or event will be reimbursed and should be accomplished by the most cost effective and expeditious manner possible.
 - a. Travel by Air
 - 1) When travel by air is required, reservations should be made at economy fare on a common carrier consistent with the business requirements of the traveler.
 - 2) Alloya will reimburse volunteers for the cost of re-scheduling air travel to the extent that changes are required by a valid business purpose and such determination will be made by the Board Chair.
 - 3) When travel by air is necessary and *substantial* airfare savings can be realized by arriving or departing an additional 24 hours earlier or later, using comparable flights (i.e. staying overnight on a Saturday), the volunteer is encouraged to do so. If the net savings to Alloya is \$500 or more (after hotel and meal expenses are also considered), and the volunteer can provide proof of that savings, he or she is entitled to an additional \$100 personal entertainment/recreational expense to be used at his or her discretion.
 - b. Travel by Rail – When traveling by rail, business class fare is permitted.
 - c. Car Rental – Rental cars are only reimbursable for the authorized travel period and only for business-related travel, plus actual fuel, tolls and parking, and are limited to a reasonable class of vehicle consistent with travel requirements.
 - d. Personal Auto – Use of personal auto will be reimbursed at the prevailing Internal Revenue Service rate per mile, plus tolls and parking. Since Alloya assumes no responsibility beyond making available a mileage reimbursement allowance, it is the volunteer's responsibility to protect against damage to his/her auto and legal liability in such forms and amounts as the volunteer deems adequate.
 3. Accommodations – Lodging shall be arranged for by the Office of the CEO of Alloya. When this is not possible, the standard room rate is reimbursable by Alloya.
 4. Telephone – When traveling on Alloya business, reimbursement of reasonable telephone calls and data services are permissible.
 5. Meals – Meal (food and beverage) expenses will be reimbursable as incurred. Volunteers should use reasonable judgment in incurring expenses for meals. Meals will only be reimbursed to the extent that the meal cost was incurred as a direct result of the business purpose and was not otherwise to be provided by Alloya. For example, if a group meal is planned and a Volunteer chooses to have dinner elsewhere at the same time, that meal will NOT be reimbursable.
 6. Convenience – When volunteers are together as a group, it is permissible for one individual to “pick up the tab” for the entire group only if all the individuals involved also have expense reimbursement privileges with Alloya. Reimbursement must comply with all other parameters outlined in the Volunteers’ Expense Guidelines.
- B.** Excluded Expenses – Excluded expenses can vary significantly and Volunteer’s should seek approval from the Board Chair prior to incurring expenses if they are unsure whether an expense is reimbursable under this Policy. Items not reimbursable include, but are not limited to:
1. Personal expenses.
 2. Spousal/Guest expenses.
 3. Expenses that are not for a valid business purpose.
- C.** Approval – Volunteer expense reports will be approved as follows:
1. All volunteer travel expenses must be pre-approved by the Supervisory committee per Alloya Travel Policy.
 2. Volunteers’ permissible expenses are to be reported on Alloya Directors’ and Officers’ Expense Account Voucher and must be submitted for reimbursement within sixty (60) days after expenses are incurred. Expenses received after this date may not be approved.
 3. Vouchers may be obtained by contacting the Office of the CEO or from the Board website.
 4. Board and Committee Members
 - a. The SVP, Strategy, Product & Risk Management or the CFO may approve for payment any Board or Committee member’s expense report.
 - b. Expense reports so authorized will be evidenced by the initials of the person authorizing the report.
- D.** Payment Processing – The following process will be used for payment of expenses:
1. Most expenses associated with air travel, hotel, group meals, etc. will be arranged by the Office of the CEO and master billed to Alloya. Personal expenses charged to the master bill will be submitted to the Volunteer for timely reimbursement.
 2. Approved expense reports will be forwarded to the Accounting Department, which will issue timely payment to Volunteers.
 3. As required, the Office of the CEO will provide periodic reporting to individual Volunteers reflecting expenses paid on their behalf that will be reported as taxable income to the IRS.

APPENDIX G – POLICY REVIEW RESPONSIBILITY AND FREQUENCY

#	Policy	Owner	Reviews									
			Board	CEO	ALCO	ELT	IA	Comp.	NCUA	Legal	SC	CC
1.	Board Governance Policy											
I.	General Policy	SVP, Strategy, Product & Risk Management	A	A	N	A	A	O	O	O	N	N
II.	Membership	SVP, Strategy, Product & Risk Management	A	A	N	A	A	O	O	O	N	N
III.	Board/Committee Organization	SVP, Strategy, Product & Risk Management	A	A	N	A	A	O	O	O	N	N
IV.	Board/CEO Linkage	SVP, Strategy, Product & Risk Management	A	A	N	A	A	O	O	O	N	N
V.	Ends	SVP, Strategy, Product & Risk Management	A	A	N	A	A	O	O	O	N	N
VI.	Executive Limitation	SVP, Strategy, Product & Risk Management	A	A	N	A	A	O	O	O	N	N
VII.	Governance Appendices	SVP, Strategy, Product & Risk Management	A	A	N	A	A	O	O	O	N	N
2.	Board Operating Policy											
I.	Accounting	CFO	A	A	A	A	A	O	O	O	A	A
II.	Administrative	SVP, Strategy, Product & Risk Management	A	A	N	A	A	O	O	O	N	N
III.	ALM Oversight	CIO	A	A	A	A	A	O	O	O	N	N
IV.	Bank Secrecy	CFO	A	A	N	A	O	O	O	O	N	N
V.	Capital	CFO	A	A	A	A	A	O	O	O	N	N
VI.	Credit Risk Management (Investments)	CRO	A	A	A	A	A	O	O	O	N	N
VII.	Enterprise Risk Management	CRO	A	A	N	A	A	O	O	O	O	N
VIII.	Information Security	CFO	A	A	N	A	A	O	O	O	N	N
IX.	Investment	CIO	A	A	A	A	A	O	O	O	N	N
X.	Lending	VP, Lending	A	A	N	A	A	O	O	O	N	A
XI.	Liquidity Management	CIO	A	A	A	A	A	O	O	O	N	A
XII.	Net Economic Value (NEV)	CRO	A	A	A	A	A	O	O	O	N	N
XIII.	Paid-In-Capital (PIC)	CIO	A	A	A	A	A	O	O	O	N	N
XIV.	Privacy	CFO	A	A	N	A	A	O	O	O	N	N
XV.	Shares	CIO	A	A	A	A	A	O	O	O	N	N
3.	Guidelines											
I.	ALM Operating Guidelines	CIO	A	A	A	A	A	O	O	O	N	A
II.	ACH	SVP, Member Relations	A	A	N	A	A	O	O	O	N	N
III.	ALCO Subcommittee	SVP, Strategy, Product & Risk Management	A	A	A	A	A	O	O	O	N	N
IV.	Budget/Expense Authorization	CFO	A	A	A	A	A	O	O	O	N	N
V.	Business Continuity	CFO	A	A	N	A	A	O	O	O	N	N
VI.	Contracts/Vendor Management	SVP, Strategy, Product & Risk Management	A	A	N	A	A	O	O	O	N	N
	Data Destruction	SVP, Strategy, Product & Risk Management	A	A	N	A	A	O	O	O	N	N

Alloya Policy Manual

#	Policy	Owner	Reviews									
			Board	CEO	ALCO	ELT	IA	Comp.	NCUA	Legal	SC	CC
VII.												
VIII.	Funds Transfer	SVP, Member Relations	A	A	N	A	A	O	O	O	N	N
IX.	Human Resources	VP, HR	A	A	N	A	A	O	O	O	N	N
X.	Information Systems	VP, IS	A	A	N	A	A	O	O	O	N	N
XI.	Market Risk Measurement	CRO	A	A	A	A	A	O	O	O	N	N
XII.	Item Processing	SVP, Member Relations	A	A	N	A	A	O	O	O	N	N
XIII.	Security Transfer	CIO	A	A	N	A	A	O	O	O	N	N
XIV.	Share Draft Settlement	SVP, Member Relations	A	A	N	A	A	O	O	O	N	N
XV.	Wire Transfers	SVP, Member Relations	A	A	N	A	A	O	O	O	N	N

Legend: A=Annual, O=Ongoing, N=Not Required

SECTION 2 – BOARD OPERATING POLICIES

I. ACCOUNTING

A. OBJECTIVE:

1. The objective of this Policy is to ensure that Alloya accurately and timely records its transactions with the greatest transparency.

B. RESPONSIBILITY:

1. The function will be the responsibility of the Chief Financial Officer (CFO).

C. PARAMETERS:

1. GAAP
 - a. Alloya will use U.S. Generally Accepted Accounting Principles (“GAAP”) in the preparation of all financial reports.
 - b. Alloya will comply with GAAP requirements relating to derivative transactions (subject to NCUA approval of Alloya’s Level III Expanded Investment Authority Application) included in the Derivatives and Hedging topic of FASB’s Accounting Standards Codification.
 - c. Alloya will comply with GAAP requirements relating to loans and the allowance for loan losses.
2. Financial Statements – Financial Statements will be prepared on a monthly basis and presented to the Board at its next regularly scheduled meeting.
3. 5310 – Financial reports will be filed monthly with NCUA by the required due date.
4. General Ledger Reconciliation Policy – Alloya will prepare reconciliations for all active balance sheet accounts excluding zero balance clearing accounts by the 20th of the following month (consistent with the date that the 5310 must be filed with the NCUA).

II. ADMINISTRATIVE

A. OBJECTIVE:

1. The objective of this Policy is to provide guidance on several items associated with various administrative matters.

B. RESPONSIBILITY:

1. The SVP, Strategy, Product & Risk Management is responsible for this function.

C. PARAMETERS:

1. Officers – The following staff positions will be defined as Officers for use in this manual:

Title
Chief Executive Officer
Chief Financial Officer
Senior Vice President, Member Relations
Chief Risk Officer
Senior Vice President, Strategy, Product & Risk Management
Chief Investment Officer

2. Charitable Contributions
 - a. To be eligible to receive charitable contributions made by Alloya the recipient must be:
 - 1) An entity not organized for profit that is located in or conducts activities in a community in which Alloya has a place of business; or
 - 2) A tax-exempt organization under section 501(c)(3) of the Internal Revenue Code that operates primarily to promote and develop credit unions. Contributions, either direct or indirect, to candidates for a trade association or credit union league office and contributions and expenditures in connection with any election to a political office are not permitted hereunder and are prohibited by the Federal Election Campaign Act (2 U.S.C. 441b).
 - b. Charitable contributions may be authorized by the CEO individually and in the aggregate up to the spending limits established for the CEO in these policies and within the annual budget. Charitable donations in excess of the amounts set forth above must be pre-approved by the Board of Directors, both as to the amount and appropriateness, and will be entered into the minutes of the Board of Directors.
3. Records Retention
 - a. Retention Standards

- 1) Records may be preserved in any format that can be used to reconstruct the records. Formats may include paper originals, machine copies, micro-film or fiche, magnetic tapes or any electronic format that accurately reflects the information in the record remains accessible to all persons who are entitled to access by statute, regulation or rule of law and is capable of being reproduced by transmission, printing or otherwise.
- 2) All records will be retained for the period required by applicable state and federal laws and regulations.
- 3) Records vital to Alloya's ongoing operations will be identified and appropriately retained and safeguarded.
- 4) All records necessary for business purposes will be retained for a period of time that will reasonably assure the availability of those records when needed.
- 5) Documents that are not otherwise subject to retention for regulatory or business purposes may need to be retained because of unusual circumstances, such as litigation or a government or internal investigation. When an unusual circumstance arises, the SVP, Strategy, Product & Risk Management should be notified immediately. The SVP, Strategy, Product & Risk Management will then notify the appropriate departments and direct them that the relevant categories of documents be retained until further notice.
- b. Retention Periods
 - 1) Records will be retained according to the Records Retention Schedule. This schedule will be created and maintained by the SVP, Strategy, Product & Risk Management and will be provided to each department.
- c. Destruction Standards
 - 1) Destruction of records will take place only in compliance with this Board policy and the Data Destruction Guidelines in order to avoid any inference that any document was destroyed in anticipation of a specific problem.
 - 2) All records not necessary for legal or business reasons and not required to be retained by law or regulation shall be destroyed in order to reduce the high cost of storing, indexing and handling the vast amount of documents that would otherwise accumulate.
 - 3) When directed by the SVP, Strategy, Product & Risk Management, records will be retained, and not destroyed according to the Data Destruction Guidelines, in the event they may be needed for litigation or an investigation.
- d. Compliance Standards
 - 1) Adequate records will be developed and maintained to document Alloya's compliance with this Board Policy and the Data Destruction Guidelines.
 - 2) While the SVP, Strategy, Product & Risk Management is responsible for the overall compliance with this Board Policy and the Records Retention Schedule, each department is responsible for adhering to this Board Policy and monitoring its compliance with the Data Destruction Guidelines. Each department will designate a "Records Retention Coordinator" who shall be principally responsible for that department's compliance with this Board Policy and the Data Destruction Guidelines. This person is also responsible for reporting any non-compliant issues that may arise to the SVP, Strategy, Product & Risk Management.
4. Succession Plan – Alloya has three levels of staff: the CEO, the Executive Leadership Team (ELT) and staff.
 - a. CEO – Alloya will have a formal succession plan for the CEO position and a written plan will be confidentially maintained by Human Resources.
 - b. ELT – Alloya will have a formal succession plan for each position on the ELT. The members of the ELT will be designated by the CEO.
 - 1) Written plans will be confidentially maintained by Human Resources.
 - 2) No more than two (2) members of the current ELT team, including the CEO will travel together on the same scheduled departure for a public carrier or in the same vehicle to any event.
 - c. Staff – Alloya will have a formal succession plan for key staff positions, a listing of which will be maintained by Human Resources. Written plans will be confidentially maintained by Human Resources.
5. Absence of ELT – As a member-driven organization, Alloya will always strive to have members of executive management available for time-sensitive decisions.
 - a. In the absence of the CEO, any two (2) members of the ELT, acting in concert, may act in his/her place with his/her full authority. This authority should only be exercised if:
 - 1) The CEO is unavailable for an extended time, both in person and by phone.
 - 2) The decision in question is urgent and time sensitive.
 - 3) A delay in making the decision in question will significantly adversely affect Alloya, its members, staff or volunteers.
 - b. Actions taken will be immediately reported to the CEO and/or the Board as necessary.
6. Prohibited Activities of Senior Personnel
 - a. ELT members may not simultaneously be employed by Alloya and the CPA firm performing Alloya's Annual CPA audit.

- b. Neither Alloya’s CEO nor its ELT members may serve on more than three (3) other public or private, for-profit or not-for-profit boards simultaneously, excluding entities in which Alloya has a partial or complete ownership interest.
- 7. Requirement to disclose material issues affecting financial information
 - a. Alloya’s key staff will, by April 30 each year, sign an acknowledgement indicating they understand their responsibility to ensure timely accurate financial data and to disclose any material issues related to preparation of financial information.
 - b. Key staff will be defined as:
 - 1) ELT
 - 2) Management, as designated by the CFO
 - 3) Staff, as designated by the CFO
 - c. The Acknowledgement will be maintained and administered by Human Resources.
 - d. Alloya will establish and train employees on the use of an independent “whistleblower” hotline, which will also be described in the Code of Conduct. The content of any calls to the hotline will be forwarded to the CEO, the Board Chair and the Supervisory Committee Chair. Any calls initiated to the hotline may be reviewed by any Board or Supervisory Committee member at any time.

III. ALM OVERSIGHT

A. OBJECTIVE:

- 1. This Policy provides broad parameters for all risks associated with the management of Alloya balance sheet. It is used in conjunction with Board policies that relate to risk management of our assets and liabilities. Objectives include:
 - a. Ensure responsible asset-liability management;
 - b. Provide flexibility and responsible action through the delegation of responsibility and authority to senior management;
 - c. Identify the effects of all risks on the balance sheet;
 - d. Acknowledge the need to manage rate sensitive assets and rate sensitive liabilities to ensure a fair-market value that remains stable during changes in interest rates;
 - e. Provide adequate review, control and oversight;
 - f. Provide parameters that ensure separation of duties between the risk taking and risk management functions;
 - g. These objectives are interrelated, and are to be managed and dependent on components of Alloya’s overall risk management objectives.

B. RESPONSIBILITY:

- 1. The CIO is responsible for the designated oversight of the practices and operations set forth in this Policy related to “risk taking” functions. Risk taking functions include investment purchases, sales and hedging, coordination of market risk associated with assets, liabilities and derivative (subject to NCUA approval of Alloya’s Level III Expanded Investment Authority Application) instruments, management of liabilities, share and certificate accounts (including capital accounts.)
- 2. The CRO is responsible for the designated oversight of the practices and operations set forth in this Policy related to risk measurement and reporting functions set forth in this Policy. The CRO is directly responsible for the approval of all investment counterparties and instruments utilized. These include monitoring, measuring and reporting on corporate positions and risk attributes and measures related to:
 - a. Market risk.
 - b. Credit risk
 - c. Liquidity risk
 - d. Other risks as identified.

C. PARAMETERS:

- 1. Conflict of Interest Statement – Management/officers, employees and immediate family members of such individuals of Alloya may not receive pecuniary consideration in connection with the making of an investment or deposit by Alloya as stated in NCUA regulations.
- 2. Structure
 - a. ALCO Appointment – To oversee the risk management of Alloya, there will be an ALCO established as defined in Alloya’s Bylaws.
 - b. Meeting Schedule – ALCO will meet on a monthly basis. Special meetings may be called to address specific asset/liability decisions.
 - c. Duties – The meetings will provide a forum for the presentation and discussions of information related to risk and asset and liability management, and provide overall direction for management of the investment portfolios. At the monthly meetings, ALCO will review:
 - 1) *Economic Outlook* – Review data on current economic conditions, nationally and locally, for Alloya’s member trade/market area. Review current interest rate outlook.
 - 2) *Market Outlook/Competition* – Review the outlook for spreads available in the marketplace. Review competition and other sources of investments that members may contemplate. Compare Alloya to other corporate credit unions and other competitor financial service providers, as appropriate..

- 3) *Financial Trends* – Review of the financial performance and trends of Alloya.
- 4) *Objectives, Risks, and Returns* – Review the progress of strategies, both long term and short term. Financial strategies are reviewed to ensure the objectives of Alloya are met.
- 5) *Liquidity* – ALCO will review the liquidity of the balance sheet to ensure that funds are available to meet all usual and unusual needs of Alloya’s members.
- 6) *Compliance* – ALCO will review the compliance status reports. Close attention will be given to any outstanding or unresolved issues. Compliance reports will ensure compliance with the Federal Credit Union Act, NCUA Rules and Regulations, and all risk management policies.
- 7) *Asset/Liability Simulations* – ALCO will review the simulations of net income (NI), net interest income (NII) and net economic value (NEV) and other versions of simulations as required.
- 8) *ALCO Subcommittees* – The ALCO may appoint subcommittees to work on certain ALCO initiatives. The activities of the subcommittee meetings will be documented through minutes and submitted to the ALCO for review.

IV. BANK SECURITY

A. OBJECTIVE:

1. Bank Secrecy Act (BSA) Compliance – The objective of this Policy is to set forth the compliance policy of Alloya with respect to legislation, statutes, regulations and rules related to the BSA and its Anti-Money Laundering provisions including, but not limited to:
 - a. Bank Secrecy and related Anti-Money Laundering Legislative Acts
 - 1) Financial Recordkeeping and Reporting of Currency and Foreign Transactions Act of 1970 known as The Bank Secrecy Act of 1970
 - 2) Money Laundering Control Act of 1986
 - 3) Annunzio-Wylie Money Laundering Suppression Act of 1992
 - 4) Money Laundering Suppression Act of 1994
 - 5) Money Laundering and Financial Crimes Strategy Act of 1998
 - 6) Uniting and Strengthening America by Providing Appropriate Tools to Intercept and Obstruct Terrorism Act of 2001 known as The USA PATRIOT Act
 - b. Bank Secrecy and Anti-Money Laundering statutes found at 31 USC 5311 *et. seq.*
 - c. Bank Secrecy and Anti-Money Laundering regulations found at 31 CFR Chapter X *et. seq.*
 - d. NCUA Rules and Regulations Part 748.2, guidance letters and examination procedures for BSA compliance.
 - e. Financial Crimes Enforcement Network (FinCEN) forms, rulings and guidance on BSA recordkeeping and reporting requirements.
 - f. Office of Foreign Assets Control (OFAC) lists describing those countries, entities, and individuals upon which it has imposed sanctions or financial transaction controls.
2. BSA Compliance Reporting and Records Retention Requirements – BSA laws were enacted to assist in the investigation of terrorist financing, money laundering, tax evasion and other illicit activities. These laws require Alloya to record, retain certain records and report certain financial transactions to the federal government. Alloya will comply with the BSA by filing all required reports with the federal government when appropriate and by maintaining records associated with these reports as required by law.
3. BSA Compliance Program Elements – This Policy establishes and maintains a detailed program setting forth the steps Alloya will follow in order to comply with the BSA. The Alloya BSA Compliance Program will be reviewed annually and approved by the Board of Directors. The Alloya BSA Compliance Program will include the following primary elements:
 - a. A system of internal controls to assure ongoing compliance, including implementation of a Customer Identification Program;
 - b. Designation of an individual responsible for coordinating and monitoring day-to-day compliance;
 - c. Compliance training for appropriate personnel; and
 - d. Independent testing for compliance to be conducted by corporate personnel or outside parties.

B. RESPONSIBILITY:

1. All Alloya employees are responsible for assisting in BSA compliance.
2. The BSA Compliance Officer is responsible for the daily administration of the Alloya BSA Compliance Program.
3. The CFO is responsible for the overall management of the Alloya BSA Compliance Program.
4. The BSA Compliance Committee, led by an Alloya VP selected by the CFO, is responsible for assessing all aspects of Alloya’s business to determine any potential BSA deficiencies and taking corrective action.
5. The CAE is responsible for overseeing the independent annual testing of the Alloya BSA Compliance program.
6. The Board of Directors is responsible for annual review and approval of the Alloya BSA Compliance Program.

C. PARAMETERS:

1. System of Internal Controls for BSA Compliance – Alloya is committed to maintaining a high level of compliance with the BSA and the Anti-Money Laundering Act. Alloya will develop and implement a system of internal controls reasonably designed to assure and monitor compliance with BSA requirements for reporting of

- suspicious activities and foreign transactions; financial recordkeeping; and identification of CUSOs, Credit Union Leagues, and non-regulated affiliated accounts.
- a. Suspicious Activity Reporting (SAR) – Alloya is committed to preventing, detecting, and reporting suspicious activities or transactions.
- 1) A SAR will be filed in the following situations:
 - a) Alloya detects a known or suspected violation of federal law and has substantial basis to believe that one of its directors, officers, employees, or other affiliated party committed or aided in the commission of the violation regardless of the dollar amount involved; or
 - b) Alloya detects a known or suspected violation of federal law involving or aggregating \$5,000 or more and has substantial basis for identifying a possible suspect; or
 - c) Alloya detects a known or suspected violation of federal law involving or aggregating \$25,000 or more and has no substantial basis for identifying a suspect; or
 - d) Alloya detects transactions aggregating \$5,000 or more that:
 - (1) Involve potential funds from illegal activities or are intended to hide funds from illegal activities in order to violate or evade any federal law; or
 - (2) Violate or evade any regulation set forth under the BSA; or
 - (3) Have no business or apparent lawful purpose or are not the sort in which the member would normally be expected to engage, and Alloya knows of no reasonable explanation for the transaction after examining the available facts.
 - 2) Filing a SAR
 - a) The BSA Compliance Officer, and/or a BSA Compliance Committee member, holding a title of VP or higher, will carefully evaluate the facts prior to filing a SAR and only file when there is a reasonable basis for believing that a specific crime has occurred, is occurring, or may occur.
 - b) Alloya will file such reports with federal law enforcement agencies subject to the provisions of the Right to Financial Privacy Act.
 - c) In situations involving known or suspected violations that require immediate attention, such as terrorist financing, ongoing insider abuse or money laundering schemes, Alloya will immediately, by telephone, notify FinCEN and the NCUA in addition to filing a timely SAR.
 - d) All SARs will be submitted to FinCEN in accordance with instructions outlined on the form (US Department of Treasury Form TD F 90-2247) and timing requirements (SAR must be filed within thirty (30) days of becoming aware of facts that form the basis for filing and there is a suspect identified and within sixty (60) days when no suspect has been identified).
 - 3) Non-Filing Determination - For the instances when a decision is made to NOT file a SAR, Alloya staff will maintain all documentation gathered during the course of the review as well as commentary explaining the decision not to file a SAR. All non-filing documentation must be approved. Approval may be conducted by a BSA Compliance Committee member, holding a title of VP or higher, or the BSA Compliance Officer, if the BSA Compliance Officer was not involved with the identification or full review of the activity.
 - 4) Nondisclosure
 - a) Alloya shall not provide any person involved in a transaction about which a SAR was filed with notice of the fact that a SAR was filed, and if any person inquires as to whether a SAR has been filed regarding any transaction, this inquiry shall be considered a sufficient basis for filing another SAR.
 - b) Any person subpoenaed or otherwise requested to disclose a SAR or the information contained in a SAR, except where the disclosure is requested from the NCUA, FinCEN, or an appropriate law enforcement agency, will decline to produce the SAR documentation or any information that would disclose that a SAR was prepared or filed and will notify the BSA Compliance Officer for Alloya regarding the request. Immediate notification shall be provided to FinCEN's Office of Chief Counsel at (703) 905-3590 and the NCUA of any such request and response.
 - 5) Reporting of any SAR filed will be promptly notified to the BSA Compliance Committee during the monthly meetings.
- b. Section 314(b) – Voluntary Information Sharing Among Financial Institutions.
- 1) Pursuant to Section 314(b) financial institutions and associations of financial institutions that have completed the required certification with FinCEN may participate in information sharing with other financial institutions for purposes related to:
 - a) Identifying and reporting activities that may involve terrorist or money laundering activities

- b) Determining whether to close or maintain a member relationship
- c) Determining whether to engage in a transaction
- 2) Annual Certification - Alloya shall complete the required annual certification with FinCEN each year in order to voluntarily share information with other financial institutions or associations of financial institutions pursuant to Section 314(b).
- 3) Verification - Prior to sharing any information, Alloya shall take adequate steps to verify that the financial institution with which it intends to share information has submitted the required certification form with FinCEN. Alloya shall satisfy the verification requirement by confirming that the other financial institution appears on the list that FinCEN makes available periodically to financial institutions that have filed with it or by confirming directly with the other financial institution that the requisite notice has been filed.
- c. Currency Transaction Reports (CTR) – A financial institution within the United States generally must file a CTR for each transaction in currency over \$10,000.00. Transactions must be reported if cash exceeding \$10,000 is involved in a single transaction or in multiple transactions, during Alloya’s business day. Transactions may be processed in person or through a third party. Types of transactions that must be reported if the threshold is reached include:
 - 1) Deposit, withdrawal or check cashing
 - 2) Exchange of currency
 - 3) Payments on treasury, tax & loan, credit cards, mortgages or other loans
 - 4) Purchase of U.S. Savings Bonds, cashier's checks, bank drafts, traveler's checks, and other negotiable instruments
 - 5) Transfer of cash by, through, or to another bank, including shipments of cash to or from any foreign bank, or foreign instrument
 - 6) Transactions made by different individuals for the same account during a business day
 - 7) Personal and business transactions that are made by the same person during a business day
- d. CTR Exemption and Exemption Reporting – Of the types of transactions listed above, Alloya only conducts transactions described under section 5 “ Transfer of cash by...” above. Under the product, “Coin and Currency”, members contract for coin and currency delivery services through Alloya in order to fulfill their cash vault needs. Under the BSA regulations, members who are a financial institution are considered exempt and do not require the filing of a Designation of Exempt Person form with FinCEN. Filing requirements still exist for any non-credit union members. Alloya shall exempt those non-credit union members with whom it engages in currency transactions. An annual review will be conducted as necessary for any exempted non-credit union member.
- e. Customer Identification Program (CIP) - Alloya will implement a CIP, which includes risk-based procedures to verify the identity of each CUSO, Credit Union League and non-regulated affiliated account. These procedures will enable Alloya to form a reasonable belief as to the true identity of the new member by:
 - 1) Obtaining the required information from every new member which may include:
 - a) Name
 - b) Address
 - c) U. S. Identification number
 - d) Employer identification number
 - e) Physical address
 - f) Documents demonstrating the new member’s existence
 - 2) Verifying the identity of new customers/members utilizing risk-based procedures when information cannot be confirmed;
 - 3) Maintaining the required records;
 - 4) Checking accounts against government lists;
 - 5) Providing appropriate notice to the new member
 - 6) Documentary Verification - Documentation shall be obtained to allow Alloya to form a reasonable belief to the true identity of the prospective new member. Documentary verification may be conducted by obtaining a copy of the prospective member’s:
 - a) Articles of Incorporation.
 - b) Business License or;
 - c) Partnership Agreement
 - 7) Non-Documentary Verification - Alloya may utilize the following forms of non-documentary verification.
 - a) A credit report of the prospective member
 - 8) Tax Identification Numbers - Regardless of the method of verification being used by Alloya, a Federal Employer Identification Number must be recorded for all accounts, including accounts for member credit unions.
 - 9) Identity Verification Difficulties
 - a) In the event that Alloya is presented with circumstances that increase the risk that it cannot verify the true identity of the new member through documents or in the event that Alloya cannot form a reasonable belief that it knows the true identity of the new member, Alloya will not open the account.
 - b) Information related to the prospective member must be forwarded to the BSA & OFAC Compliance Department for further review to determine whether the

attempt to open an account may be considered suspicious. A SAR will be filed in cases of identity theft and/or cases where the opening deposit meets reportable thresholds for either a known or unknown subject and involves some form of fraud.

- 10) CIP Exemption - In Alloya's case, all state and federal chartered credit unions that are members of Alloya are not "customers" within the meaning of the final regulation and Alloya is not required to develop a CIP with respect to those members. In addition, existing members of Alloya that are not federal or state chartered credit unions are also not "customers" within the meaning of the final regulation, provided that Alloya has a reasonable belief that it knows the true identity of such members (in this case, Alloya is also not required to develop a CIP).
- f. Office of Foreign Assets Control (OFAC) Requirements – Alloya utilizes third party interdiction software that maintains a current Specially Designated Nationals (SDN) and Blocked Entities list in compliance with OFAC regulations. Alloya compares the names on new accounts, wire transfers (domestic, international, and Western Union transfers), and other required transactions against the OFAC SDN and Blocked Entities list for matches. For established accounts, customer/member transactions are compared with the OFAC and other on a quarterly basis. Alloya blocks or rejects (as appropriate) the accounts and transactions that match an entry on the OFAC SDN and Blocked Entities list. Alloya also reports the blocked or rejected accounts and transactions to OFAC within ten (10) calendar days. Alloya will submit an annual report of such blockings in accordance with the timing requirements (must be filed by September 30th of the calendar year during which the funds are being held) and instructions outlined on the form (OFAC Blocked Properties Reporting Form TDF 90-22.50). Alloya shall maintain all records and reports associated with OFAC for at least five (5) years.
- g. Other Required Reporting – Alloya will ensure the following:
 - 1) Filing an annual statement with the NCUA OCCU Director certifying compliance with the requirements of Part 748 of the NCUA Rules and Regulations.
 - 2) Responding to FinCEN requests for information sharing on Alloya accounts and transactions under section 314(a) of The USA PATRIOT Act (31 CFR 1010.520).
 - 3) Transmitting information provided during a funds transfer from the transmitting financial institution to the receiving institution as required under the Travel Rule (31 CFR 1010.410) and 31 CFR 1020.410 when Alloya acts as the intermediary bank. (Note: Alloya is only required to pass along information it receives from the transmitting institution, but has no duty to obtain any information that has not been provided)
 - 4) Submitting US Department of Treasury Form TD F 90-22.1 annually if and when Alloya establishes account relationships in financial institutions outside the U.S. jurisdictions that exceed \$10,000 during the year.
 - 5) Filing FinCEN Form 105 (Report of International Transportation of Currency or Monetary Instruments) if and when:
 - a) Alloya physically transports, mails or ships currency and/or monetary instruments (checks, money orders, traveler's checks, etc.) in excess of \$10,000 at one time, into or out of the U.S., or
 - b) Alloya receives currency and/or monetary instruments in excess of \$10,000 at one time, which has been transported, mailed or shipped to it by a member outside of the U.S.
 - 6) All BSA violations will be reported to the Board of Directors at the next regularly scheduled meeting.
- h. Record Retention – Alloya shall maintain all records and reports (including supporting documentation) associated with the BSA Compliance Program in accordance with BSA requirements. Alloya shall maintain records pursuant to the BSA for a period of at least five (5) years, including:
 - 1) Required Reports: Copies of all reports filed pursuant to the BSA, and any supporting documentation, for a period of at least five (5) years from the date the report is filed;
 - 2) Loans over \$10,000: For all extensions of credit over \$10,000 (except those secured by real estate) the member's name, address, amount of transaction, date of transaction and purpose of loan;
 - 3) Transferring currency, instruments or credit outside USA: Details regarding each advice, request or instruction regarding the transfer of over \$10,000 in currency, monetary instruments or credit to or from anywhere outside the USA;
 - 4) Monetary Instruments \$3,000 - \$10,000 – to Members: For monetary instruments purchased by members with currency, with a value between \$3,000 and \$10,000, Alloya must record the member's name, date, type of instrument, serial # of instrument and the dollar amount of the transaction;
 - 5) Monetary Instruments \$3,000 - \$10,000 – to Non-Members: In addition to the information contained in 4) above, for monetary instruments purchased by non-members with currency, with a value between \$3,000 and \$10,000, Alloya must record the person's address, social security # or alien ID # and date of birth;
 - 6) Wire Transfers: For all wire transfers and in its capacity as an intermediary bank, Alloya shall retain either the original or a microfilm, other copy, or electronic record of the payment order;

- 7) Staff Training: Alloya shall document BSA training provided each year to staff for a period of five (5) years; and
- 8) Account Opening Documents: Alloya shall retain documents associated with the opening of any account until five (5) years after the account is closed.
- i. Change Management – Alloya Managers are responsible for providing the BSA Compliance Officer with information on proposed changes involving systems, procedures, and processes surrounding member-related transactions or Alloya’s CIP to ensure the proposed changes will not create a deficiency to the BSA / OFAC compliance program. Information for the proposed changes must be provided timely during monthly meetings attended by the BSA Compliance Officer and the following areas:
 - 1) Payment Operations
 - 2) Product Management
 - 3) Project Management
 - 4) Information Security
2. Designated BSA Compliance Officer – The BSA Compliance Officer will be selected by the CFO. The BSA Compliance Officer will develop and implement the Alloya BSA Compliance Program, which includes documenting written procedures and verifying that they are distributed to appropriate personnel. In addition, the BSA Compliance Officer is responsible for the daily administration of the Alloya BSA Compliance Program, including the responsibility to ensure:
 - a. the written BSA Compliance Program document is updated;
 - b. required reports are filed within a timely manner;
 - c. adequate records are retained;
 - d. proper account opening procedures are followed;
 - e. appropriate employee training is provided, as necessary;
 - f. an annual independent audit is performed of the BSA Compliance Program; and
 - g. senior management and officers are informed of BSA filings and provided regular reports on the BSA Compliance Program.
3. BSA Compliance Training
 - a. Appropriate Training – Alloya will conduct training every twelve months (more often if necessary) for all affected personnel regarding the BSA Compliance Program and related operating procedures. The BSA Compliance Officer will ensure that current as well as newly hired personnel receive an appropriate amount of ongoing compliance training. There are three basic training approaches utilized depending on the employee’s BSA role and responsibility:
 - 1) Overview Training – A high level overview for all Alloya’s Board of Directors, Supervisory Committee members and Executive Leadership members.
 - 2) Enhanced Training – A specific overview of BSA requirements for personnel involved in daily transactions (e.g. Member Services, EFT, Item Processing, etc.).
 - 3) Comprehensive Training – In depth training for key personnel, this includes all members of the Alloya BSA Compliance Committee, Payment Operations Management and Internal Audit.
 - b. Training Materials – Training may be conducted through presentations, circulations of memoranda or other written materials, or any other appropriate technique. A copy of all materials presented or circulated is retained by the BSA Compliance Officer along with written record of attendance or receipt by personnel.
4. Independent Annual Testing of the BSA Compliance Program – The BSA Compliance Officer will ensure that the Alloya BSA Compliance Program is audited every twelve months. The CAE will oversee the annual audit to ensure that Alloya is following its BSA Compliance Program. The audit will include testing and review of: internal controls and procedures designed to ensure BSA compliance, BSA training, daily BSA reviews, large currency transactions, account-opening procedures, OFAC requirements and BSA record retention and reporting requirements. The CAE will present a written report of the audit results to the Supervisory Committee including an explanation of deficiencies cited and verification of any measures taken to remedy those deficiencies.

V. CAPITAL

A. OBJECTIVE:

1. The objective of this Policy is to outline Alloya’s goals for capital.

B. RESPONSIBILITY:

1. The Chief Financial Officer (CFO) is responsible for reviewing and updating this policy and ensuring that Alloya has adequate capital.

C. PARAMETERS:

1. Alloya’s capital plan will be included in the strategic plan and will be updated at least annually or more frequently as circumstances warrant.

VI. CREDIT RISK MANAGEMENT (INVESTMENTS)

A. OBJECTIVE:

1. This Policy is established to control and manage credit risk in concert with any Board policies and management procedures that address the management of Alloya balance sheet. All assets and credit exposures must meet the minimum credit standards and limits expressed by the NCUA Rules and Regulations.
2. For the investment asset classes, this Policy, along with the Credit Risk Management Procedures and applicable regulations, defines the minimum credit standards for all approved activities outside the Lending function, as well as the due diligence analysis requirement for the risk management process.

B. RESPONSIBILITY:

1. Responsibility
 - a. The Chief Risk Officer (CRO) is responsible for the operation and management of the credit activities outside the Lending function. Written evaluations of each credit limit with each obligor or transaction counterparty must be prepared and formally approved as outlined in the Credit Risk Management Procedures as set forth in this manual.
2. Authority to Conduct Business
 - a. As approved by the Board, the authority to engage in credit activities to establish, increase, renew, reduce, suspend or revoke a credit limit as listed in the credit procedures.

C. PARAMETERS:

1. Terms in this policy bear the meaning contained in Part 704 of NCUA's Rules and Regulations.
2. Credit Risk Approval Process
 - a. Credit approval is necessary for Alloya to invest in any investment security, product or transaction including (but not limited to)::
 - 1) U.S. Government Sponsored Agencies;
 - 2) Broker/Dealers, Corporations;
 - 3) Corporations;
 - 4) Corporate Credit Unions;
 - 5) Banks;
 - 6) Bank Holding Companies;
 - 7) Financial Holding Companies;
 - 8) Financial Subsidiaries;
 - 9) Foreign Financial Institutions;
 - 10) Asset-backed Securities;
 - 11) Tri-Party Custodians;
 - 12) Security Safekeeping Custodians;
 - 13) Settlement Institutions and other obligors as permitted by NCUA regulations.
 - b. Credit approval is not necessary for Alloya to engage in investments in:
 - 1) U.S. Government Securities;
 - c. The CRO, or his designee(s), shall have the authority to:
 - 1) Approve or deny a new counterparty or instrument;
 - 2) Establish a credit limit;
 - 3) Reduce a credit limit, as warranted;
 - 4) Remove a counterparty from the approved list, as warranted. A decision on any of the foregoing must be promptly communicated in writing to the Chief Investment Officer (CIO), or his designee(s) and the ALM Department staff. Each approval of a name must be accompanied by an approved credit limit.
 - d. The approval of a name must be supported by a credit analysis of the obligor, which must be performed by the Credit Risk Management Department. Furthermore, approval of a name must precede the ALM Department entering into a transaction with or investment in the obligor. Credit analyses must be performed and documented in accordance with credit analysis criteria set forth in Alloya's Credit Risk Management Department Procedures Manual.
 - e. Following the approval of a new name by the Credit Risk Management Department, the ALCO must be notified of the new name and the approved credit limit by the next ALCO meeting. Such notice may be verbal or in writing.
 - f. The Credit Risk Management Department must maintain a list that sets forth approved names and the approved credit limit for each name. The aforementioned list must be kept current and must be routinely made available to the CIO, or his designee(s) and the ALM Department staff.
 - g. The CRO or his designee will ensure a written evaluation of each credit limit with each obligor and counterparty is prepared at least annually and formally approved by the ALCO.
 - h. The Credit Risk Management Department reviews and monitors concentrations of credit risk as required by NCUA Regulation 704 such as geographic, insurer, industry and sector risk types within the aggregate portfolio as part of the regular monthly credit risk monitoring process.
3. Investment Credit Limits
 - a. The Credit Risk Management Department shall establish maximum credit limits for each obligor and transaction counterparty as a percentage of capital, as defined in the NCUA Regulations for this activity. Maximum credit limits should address the aggregate exposures of all investments in and transactions with the obligor, including, but not limited to, deposits, securities, repurchase agreements, securities lending, and forward settlement of purchase or sales of investments.

- Maximum credit limits for each obligor or transaction counterparty are documented in the Investment section of this manual.
- b. Credit Risk Management Department management is responsible for developing and maintaining detailed procedures that outline credit approval and credit risk monitoring processes, including the format for a written credit analysis for each type of obligor, sources of information, the contents and maintenance of a credit file, monitoring securities purchased under agreement to resell, and other necessary procedures for use by the Credit Risk Management Department.
4. Credit Approval Process for Derivatives (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application)
- a. A counterparty for OTC derivatives transactions, or its grantor, whether U.S. or foreign, must have minimum long-term ratings of A- or equivalent, in accordance with Alloya's Expanded Authorities of NCUA Regulation 704. This minimum ratings requirement does not apply to U.S. Central Credit Union, corporate credit unions, or to member credit unions.
 - b. A broker/dealer or bank that is approved for the purchase and sale of securities with Alloya may not be used as a clearing broker for derivatives contracts.
 - c. A counterparty for OTC transactions requires specific approval from the Fixed Income Research Department. Fixed Income Research staff will analyze, approve, and monitor the creditworthiness of counterparties for OTC derivatives transactions, using similar methodologies outlined in department procedures for the specific type of obligor. Fixed Income Research staff will immediately notify the CRO if they feel that Alloya should discontinue engaging in OTC derivatives with a particular counterparty due to that party's worsening creditworthiness, and Fixed Income Research Department staff has the authority to suspend and revoke an approved limit for cash and derivative transactions.
 - d. Alloya will execute industry standard agreements with each approved derivatives counterparty before engaging in transactions with the counterparty. Management and staff in the ALM Department and Fixed Income Research Department, in consultation with legal counsel, are responsible for reviewing all standard agreements before execution, and understanding Alloya's rights and responsibilities thereunder.
 - e. Alloya will endeavor to mitigate counterparty credit risk with each counterparty, if possible, by entering into agreements to require the posting of collateral or other means to reduce current and potential credit exposure.
5. Credit Risk Monitoring Process
- a. The Credit Risk Management Department will monitor the creditworthiness of all names approved for cash and derivative (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application) investments and transactions, including brokers, dealers, bank institutions, credit unions and asset-backed securities..
 - b. The Credit Risk Management Department staff will review, on a continuous basis, Bloomberg, periodicals, subscriptions, etc. for any adverse information on approved names that may impact their creditworthiness.
 - d. Credit Risk Management Department staff will provide ALCO with a monthly Watchlist of existing or potential credit problems and summary credit exposure reports, which demonstrate compliance with policy. Criteria for inclusion on the Watchlist are included in the Credit Risk Management Department Procedures Manual.
 - e. Any ELT member and/or Credit Risk Management Department management is authorized to suspend, reduce, or revoke credit limits at any time. When action is taken to suspend, reduce, or revoke a credit limit, notice shall be given to the ALM department, ALCO and the ELT.
 - f. The Credit Risk Management Department has the authority to issue a "Sell Order" on any security in the investment portfolio.
 - g. The "Sell Order" will be based on a significant risk of loss of principal, or the significant risk of credit deterioration below Alloya's regulatory investment holding authority. A Sell Order will be based on deteriorating credit fundamentals.
 - h. The Credit Risk Management Department will endeavor to issue a Sell Order before the market widely recognizes a credit problem and there is a material decline in price for the issuer/investment.
 - i. The "Sell Order" will be delivered to the CRO, CIO, the ALM department staff and the Risk Assessment Committee ("RAC").
 - j. The ALM department will develop a disposition plan for investment securities on which a "Sell Order" has been issued within two (2) business days of the receipt of the "Sell Order." The disposition plan will be submitted to the RAC.
 - k. The ALM department will endeavor to execute a sale of the position before the market widely recognizes a credit problem and there is a material decline in price for the issuer or security.
 - l. In the event there is a material decline in price for an investment that Alloya holds before Credit issues a "Sell Order" and/or the ALM department sells the investment, the ALM Department will develop a plan of action within two (2) business days and submit it to the RAC, with the provision that ALM will endeavor to sell the investment as quickly as possible and not wait for a decision from the RAC if there is a chance that holding the investment will expose Alloya to continued and permanent price deterioration.
 - m. This policy does not intend to force a sale of an investment if a material decline in price has occurred for the investment, and in the opinion of the RAC, the market decline in price is temporary, and the market price does not reflect the fundamental creditworthiness of the investment.

- n. The RAC will revise or approve the disposition plan developed by the ALM Department and deliver the revised or approved plan to the ALM Department for execution.
- o. The RAC will consist of the:
 - 1) CFO;
 - 2) CRO (or delegate);
 - 3) CIO (or delegate);
 - 4) Chair of Alloya's ALCO (or other Board member or official family member of ALCO).
- 6. Collateral Testing-Repurchase Transactions
 - a. The Credit Risk Management Department will ensure that it receives a daily assessment of the market value of the repurchase securities, including a market quote or dealer bid indication and any accrued interest. The tri-party repurchase agreement must require adequate margin that reflects a risk assessment of the repurchase securities and the term of the transaction.
 - b. Repurchase transactions must have a securities collateral margin of at least 102 percent (except for cash which is collateralized at 100 percent).
 - c. Overnight Repurchase transactions will be tested randomly at least once per month per counterparty. The types of tests to be performed will be detailed in the Credit Risk Management department Procedures Manual.
 - d. If the collateral delivered to the tri-party custodian fails to meet the collateral constraints, Alloya will:
 - 1) Contact dealer and notify it of collateral deficiency.
 - 2) Request dealer to cure the collateral deficiency that day.
 - 3) If the deficiency is not cured and the dealer has not made a "best efforts" attempt to cure the deficiency, Alloya will revoke the tri-party agreement and close the line.
- 7. Credit Risk Measurement and Reporting
 - a. The Credit Risk Management Department, under the direction of the CRO, is responsible for measuring and reporting credit risk exposure to staff, senior management, the ALM Department and ALCO.
 - b. The Credit Risk Management Department is responsible for developing procedures to quantify credit risk that arises from all investment activities, to aggregate the risk from various activities with each obligor, and to aggregate risk from affiliated obligors. The Credit Risk Management Department will report credit risk in relation to the limit approved for each obligor.
 - c. For purposes of measurement, each new credit transaction must be evaluated in terms of Alloya's capital (capital as defined by NCUA Regulation 704) at the time of transaction. A subsequent reduction in the sum of reserves, undivided earnings and paid-in capital may require a suspension of additional investment transactions with the obligor until maturities, sales or terminations bring existing exposures within the requirements of policy.
- 8. Measurement and Reporting (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application)
 - a. Members United will measure exposure to its OTC derivatives counterparties by taking into account current exposure, which equals any net market-to-market gain on such transactions, as well as potential exposure over the life of the transaction. Credit Risk Management Department procedures will detail the method Credit Risk Management uses to quantify potential exposure. If Alloya holds collateral it will reduce the existing credit exposure that is held against the approved counterparty credit limit.
 - b. Credit exposure from derivatives must be aggregated with credit exposure from the cash investments in or cash transactions with that obligor and cannot exceed the approved limit for that obligor.
 - c. The Credit Risk Management Department will report counterparty credit exposure as part of its reporting of credit risk exposure for all derivatives, investments and other transactions. Reports will indicate exposure in relation to approved obligor credit limits. The Credit Risk Management Department will report cash and derivatives credit exposure daily to the ALM department, the CRO, Accounting and the CFO positions, and monthly to the ALCO and the Board.
- 9. Investment and Credit Risk Management Policy Compliance
 - a. The CRO or designee is responsible for monitoring compliance with the requirements of NCUA Regulation and Alloya's Investment and Credit Risk Management Policies.
 - b. Credit Risk Management Department staff will report violations of obligor limits from cash and derivative transactions (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application) upon occurrence to the ALM Department and Credit Risk Management.
 - c. In the event the violation of an Alloya limit is not a violation of the regulatory limit and exposure does not fall within the approved Alloya limit within a week, i.e. as investments or derivatives (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application) mature or are sold, management of the ALM Department management will submit to ALCO a plan of action to reduce the exposure.
 - d. The CRO will report regulatory and policy compliance violations to the ALM Department staff, the ELT and the ALCO, Supervisory Committee and Board at their monthly meeting, and will report regulatory compliance violations to the Director of the Office of Corporate Credit Unions (OCCU). The CIO will develop and report a plan of action to resolve the violation to the same groups.
 - e. Divestiture of investments not in compliance with stipulations of NCUA Regulation 704. If Alloya is in possession of an investment that fails to meet a requirement of NCUA Regulation 704, it must, within thirty (30) calendar days of the failure, report the failed investment to its Board of Directors,

Supervisory Committee, ALCO, and NCUA. If Alloya does not sell the failed investment, and the investment continues to fail to meet requirements of NCUA Regulation 704, it must, within thirty (30) calendar days of the failure, provide to the Director of OCCU a written action plan that addresses the following:

- 1) The investment's characteristics and risks;
- 2) The process to obtain and adequately evaluate the investment's market pricing, cash flows, and risk;
- 3) How the investment fits into Alloya's asset and liability management strategy;
- 4) The impact that either holding or selling the investment will have on the corporate credit union's earnings, liquidity, and capital in different interest rate environments;
- 5) The likelihood that the investment may again pass the requirements of NCUA Regulation 704.

VII. ENTERPRISE RISK MANAGEMENT (Effective January 31, 2013)

A. OBJECTIVE:

1. This Policy provides broad parameters for all risks associated with the management of Alloya's business. It is used in conjunction with Board policies that relate to risk management of financial and operational aspects. Objectives include:
 - a. Ensure responsible business management;
 - b. Provide flexibility and responsible action through the delegation of responsibility and authority to senior management;
 - c. Identify the effects of all risks;
 - d. Acknowledge the need to manage risks;
 - e. Provide adequate review, control and oversight;
 - f. Provide parameters that ensure separation of duties between the risk taking and risk management functions;
 - g. These objectives are interrelated, are to be managed and are dependent on components of Alloya's overall risk management objectives.

B. RESPONSIBILITY:

1. The CIO is responsible for the designated oversight of the practices and operations set forth in the ALM Oversight Policy related to "risk taking" functions.
2. The CRO is responsible for the designated oversight of the practices and operations set forth in the ALM Oversight Policy related to risk measurement and reporting functions.
3. The Vice President, Lending is responsible for the designated oversight of the practices and operations set forth in the Lending Policy related to lending functions.
4. The CFO is responsible for the overall management of the Alloya BSA Compliance Program set forth in the Bank Secrecy Policy, the operation and measurement of Alloya's Information Security Policy (as delegated by the Board via the CEO) set forth in the Information Security Policy, and for developing, implementing, monitoring and modifying operating procedures for the privacy and information protection function set forth in the Privacy and Information Protection Policy

C. PARAMETERS:

1. Conflict of Interest Statement – Management/officers, employees and immediate family members of such individuals of Alloya may not receive pecuniary consideration in connection with transacting business with Alloya as stated in NCUA regulations.
2. Structure
 - a. ERM Appointment – To oversee the risk management of Alloya, there will be an ERM established as defined in Alloya's Bylaws.
 - b. Meeting Schedule – ERM will meet on at least a quarterly basis. With proper notice, special meetings may be called by the ERM Chair to address specific decisions and issues.
 - c. Duties – The meetings will provide a forum for the presentation and discussions of information related to risk management, and provide overall direction for management. At the meetings, ERM will at a minimum review:
 - 1) *ALCO and Credit Committee* – Review the activities of these committees' meetings, as documented through minutes and submitted to the ERM for review.
 - 2) *Bank Secrecy* – Review the trends in bank secrecy issues and review Alloya's compliance with applicable regulations and policies.
 - 3) *Information Security* – Review the trends in information security and Alloya's compliance with applicable regulations and policies.
 - 4) *Privacy and Information Protection* – Review the trends in privacy issues and Alloya's compliance with applicable regulations and policies.
 - 5) *ERM Subcommittees* – The ERM may appoint subcommittees to work on certain ERM initiatives. The activities of the subcommittee meetings will be documented through minutes and submitted to the ERM for review.
 - 6) *Other* – The ERM may review other activities, risks, reports, etc. as it deems necessary within the scope of its responsibilities.

VIII. INFORMATION SECURITY

A. OBJECTIVE:

1. The objective of the Information Security Policy (ISP) is to document the purposes, scope, processes and responsibilities related to information security for Alloya. The purposes of information security shall be to provide for:
 - a. The availability of systems to ensure that only authorized users have prompt access to information and protect against intentional or accidental attempts to deny authorized users access to information and/or systems;
 - b. The integrity of data and systems to make sure information has not been altered in an unauthorized manner and that systems are protected against unauthorized manipulation that may compromise accuracy, completeness, or reliability;
 - c. The confidentiality of data to protect Alloya's and its members' information against unauthorized access or use;
 - d. System access accountability to allow the tracing of actions to their source;
 - e. Assurance that the above availability, integrity, confidentiality, and accountability security objectives have been met.

B. RESPONSIBILITY:

1. Through approval of this Policy, the Board of Directors has delegated responsibility for the operation and measurement of Alloya's Information Security Policy to the Chief Executive Officer (CEO).
2. Furthermore, the Board of Directors has delegated risk acceptance threshold definition and risk acceptance to the CEO.
3. The CEO further delegates these responsibilities to the Chief Financial Officer (CFO).
4. The CFO may further delegate the operation and measurement, but not responsibility, of the Information Security Policy to other designated individuals or committees but not responsibility.

C. PARAMETERS:

1. Scope – The scope of the Policy applies to information security policies, standards and procedures at all locations.
2. Processes – A comprehensive Information Security Program shall be in place and include the following processes:
 - a. Information Security Strategy
 - 1) Provide a defense in depth approach that has multiple control points between threats and organizational assets.
 - 2) Establish processes, guidelines and procedures that guide employees in implementing and adhering to the Information Security Program.
 - b. Risk Assessment
 - 1) Identify and prioritize threats based on their probability of occurrence and severity in terms of a breach of security.
 - 2) Assess threats based on direct impact to the business and its stakeholders.
 - 3) Evaluate the resource requirements necessary to mitigate identified risks and achieve defined information security objectives.
 - c. Security Controls Implementation
 - 1) Access Rights Administration
 - a) Assign users' access rights to system resources in a manner that limits their access to their assigned responsibilities.
 - b) Update access rights based on personnel or system changes.
 - c) Review users' access rights to systems and applications on a frequency that is commensurate with the inherent risk of the system or application, however, user access rights to critical systems or applications shall be reviewed at least annually.
 - d) Require users to acknowledge and adhere to acceptable-use guidelines.
 - 2) Authentication
 - a) The transmission and storage of authenticators (e.g., passwords, PINS, digital certificates) shall be encrypted.
 - b) Strong user password authentication shall be utilized to authenticate a user to an application and/or system.
 - 3) Network Access
 - a) Network servers, applications, data, and users shall be grouped into appropriate security domains.
 - b) Access requirements shall be established within and between each security domain.
 - 4) Operating Systems
 - a) Privileged access shall be restricted and monitored.
 - b) Users or programs accessing sensitive resources shall be logged and monitored.

- c) Operating systems shall be updated as soon as administratively possible following the announcement of critical vulnerabilities.
- d) Physical and logical security shall be in place on devices that access operating systems.
- e) Access to operating system utilities shall remain secure.
- f) Operating systems shall be hardened before they are placed in production.
- g) Security events shall be logged.
- h) Security events shall trigger alerts to appropriate personnel.
- 5) Application and Database Security
 - a) Utilities shall be utilized and software shall be configured to enable rapid analysis of user activities.
 - b) Security events shall be logged.
 - c) User access rights shall be reviewed on an appropriate frequency to ensure they are the minimum rights required for the user's current business needs.
 - d) Applications and databases shall be updated as soon as administratively possible following the announcement of critical vulnerabilities.
- 6) Remote Access
 - a) Remote access for a user shall be enabled only if the user has a legitimate business need and it has been approved by management.
 - b) Controls shall prevent potential malicious usage of systems.
 - c) Remote access sessions shall be logged.
 - d) Remote access sessions shall be monitored as considered necessary.
 - e) Authentication and encryption shall be utilized for remote access.
- 7) Wireless Security
 - a) Wireless communication (802.11b/g/n) shall not be utilized in any office for communication between computing assets.
 - b) Wireless communication (EV/DO, 1xRT) may be utilized by appropriate personnel if the user has a legitimate business need and has been approved by management.
- 8) Physical Security - Controls shall restrict unauthorized persons from accessing restricted areas.
- 9) Encryption
 - a) Encryption strength shall protect sensitive information from disclosure.
 - b) Encryption key management controls shall protect the encryption key(s).
 - c) Encrypted data communication endpoints shall be protected.
- 10) Malicious Code
 - a) Anti-virus products shall be used and kept current on all workstations and production servers.
 - b) Blocking strategies shall be employed for network perimeter devices and firewalls shall filter data packets to applications.
- 11) Application Development, Acquisition, Implementation and Maintenance
 - a) Security requirements shall be defined before developing or acquiring new applications.
 - b) Security controls shall include audit trails and logs for data entry and data processing applications.
 - c) Change control processes shall be implemented and utilized to ensure changes to production applications are authorized and documented.
 - d) Applications shall be hardened before going into production.
 - e) Applications shall be updated as soon as administratively possible following the announcement of critical vulnerabilities.
- 12) Personnel Security
 - a) A background check shall be performed when a new employee is hired.
 - b) Accountability for security shall be established, as applicable, in job descriptions, employment agreements and job training.
- 13) Electronic Media
 - a) Sensitive electronic media shall be secured in transmission to third parties.
 - b) Sensitive electronic media shall be destroyed using a secure destruction method prior to disposal of the media.
- 14) Logging and Data Collection
 - a) System components that warrant logging shall be identified along with the level of data logged for each component.
 - b) Log files shall be secure and analyzed as considered necessary.
- 15) Technology Service Provider Oversight
 - a) Due diligence shall be performed in the selection of technology service providers.
 - b) An agreement which encompasses confidentiality and nondisclosure provisions shall be obtained from technology service providers.
 - c) A third-party review (e.g., SAS 70 Report) shall be obtained from technology service providers when applicable and as available.

- 16) Intrusion Detection and Response. Intrusion detection technology shall be implemented to protect the network and intrusion response techniques shall be developed to include the containment of a threat, restoration of systems and incident reporting.
- 17) Business Recovery. Security controls commensurate with the risk to systems and applications shall be utilized in a business recovery scenario.
- 18) Security Testing
 - a) Controls shall be established to mitigate the risks posed to systems from security testing.
 - b) Security testing results shall be utilized to evaluate whether security objectives are met.
- 19) Monitoring and Updating
 - a) Information regarding new threats and vulnerabilities shall be routinely gathered and analyzed.
 - b) New threats and vulnerabilities information shall then be used to update the risk assessment, as applicable.
- 20) Security Training
 - a) Employees shall receive training on security policies and practices.
 - b) Security awareness training shall be provided to employees and will address information security.

IX. INVESTMENTS

A. OBJECTIVE:

1. This Policy is established to set forth parameters to guide the administration of the investment portfolio of Alloya in concert with Board policies related to credit risk management, asset and liability management, and liquidity management.
2. Alloya is a primary depository of short- and medium-term surplus funds of member credit unions. Therefore, Alloya must maintain investment programs and parameters that ensure credit union funds are invested in a safe and sound manner. To invest funds in a manner that enables Alloya to meet the liquidity agreements/terms that:
 - a. Maximizes earnings on invested funds within the safety and liquidity constraints established;
 - b. Generates sufficient earnings from investment activities to enable Alloya to pay competitive rates on share accounts/instruments while funding operating expense allocations, capital transfer requirements, and other capital transfer objectives;
 - c. Diversifies the investment of funds so that risks are limited;
 - d. Develops investment alternatives and strategies that enable Alloya to offer a broad range of short- and medium-term share accounts for member credit unions;
 - e. Conducts all investment activities within the parameters set by applicable federal laws and regulations;
 - f. Focuses on the return of principal over the return on principal invested;
 - g. Provides regular reports to the membership to provide transparency on the risk/return posture of Alloya.

B. RESPONSIBILITY:

- 1 Responsibility – The Chief Investment Officer (CIO) is responsible for the operations and management of the investment portfolio.
2. Authority to Conduct Business
 - a. The CIO has the authority to invest in any permissible investment security, but with no single transaction greater than the lesser of:
 - 1) One hundred percent (100%) of reserves and undivided earnings and Perpetual Contributed Capital or;
 - 2) Policy investment limits.
 - b. The CIO is authorized to delegate these authorities to staff. Delegation of investment authority will be documented in the Investment Management Procedures.

C. PARAMETERS:

1. General – Alloya must have the capacity to properly receive, deliver, maintain, and account for all investment products.
2. Investment Settlement – Alloya may enter into agreements to purchase or sell an instrument, with settlement later than the regular way, provided that:
 - a. Delivery and acceptance are mandatory;
 - b. The transaction is clearly disclosed in the appropriate ALM and risk exposure reports;
 - c. If Alloya is the purchaser, Alloya has adequate cash flow projections evidencing its ability to purchase the instrument;
 - d. If Alloya is the seller, Alloya owns the instrument on the trade date; and
 - e. The transaction is settled on a cash basis at the settlement date.
3. Pre-Purchase Analysis

Alloya Policy Manual

- a. ALM Department staff must understand the financial risk of all products used as Alloya's investments.
 - b. The ALM Department shall maintain documentation of investment analysis of each security purchased.
 - c. The analysis may be in the form of a Alloya analysis or results from an outside source such as a security dealer or analytic service (e.g., Bloomberg).
 - d. The risks to be reviewed include maturity (or cash flow) liquidity and return or yield risk.
 - e. Prior to execution, the ALM Department will perform a pre-purchase analysis of a trade's impact on NEV sensitivity as defined in the investment management procedures.
4. Investment Management Procedures – The Investment Management Procedures set forth analytical tests for determining the suitability of investments on both a pre-purchase and post-purchase basis. These tests include procedures to satisfy the pre-purchasing testing requirements set forth in NCUA Regulation 704. However, these tests are a basis for analysis and not necessarily all-inclusive. As new product features develop, static tests may not provide valid results and may require new or different analyses to assure the suitability of the instrument. The ALM Department will obtain a prospectus on all publicly issued securities when a prospectus is available. Details concerning limited liquidity investments may be found in the Liquidity section of this manual.
5. Investment Delivery – All Security deliveries will be delivery versus payment.
6. Investment Safekeeping – All negotiable securities will be delivered to Alloya or its authorized safekeeping agents.
7. Investment Clearing and Settlement – Relationships will be maintained by management as needed to clear and settle member accounts. Board authorization must be obtained before instituting any new supporting deposit account relationships.
8. Investment Policy Overview
- a. Alloya may invest in the various types of investment instruments as specified in this section, provided that such investments are permitted by applicable sections of the Federal Credit Union Act and the NCUA Rules and Regulations. Investments in these instruments are governed by the following general policies, which are to be read and interpreted as an entirety. Specific policies governing types of investment instruments shall not increase or expand the scope of what is authorized or limited by the general policies.
 - b. Domestic Institutions
 - 1) Authorized Investments – Alloya may invest in instruments identified in NCUA Regulation 704. Authorized instruments are listed in the table below. All investments must be U.S. dollar denominated.
 - 2) Alloya officials, employees, and immediate family members of such individuals, may not receive pecuniary consideration in connection with the making of an investment or deposit by Alloya. Employee compensation is exempt from this prohibition. All transactions not specifically prohibited by NCUA Regulation 704 must be conducted at arm's length and in the interests of Alloya.
 - 3) Alloya's authority to hold an investment is governed by the regulations and policies in effect at the time of purchase. However, all grandfathered investments are subject to the requirements of Sections 704.8 and 704.9 of NCUA Regulation 704.
9. Permissible Investments – Sector Constraints

Issuer/Type of Investment	Maximum % of Net Assets by Sector	Maximum % of Capital by Sector	Other Constraints
U.S. Government	90%	N/A	N/A
U.S. Agencies	90%	N/A	N/A
Debt of U.S. Sponsored Enterprises	90%	N/A	N/A
Shares in Federally Insured Corporate Credit Unions	90%	N/A	N/A
Fed Funds Sold	90%	N/A	N/A
U.S. Banks	75%	N/A	N/A

Issuer/Type of Investment	Maximum % of Net Assets by Sector	Maximum % of Capital by Sector	Other Constraints
U.S. Government Sponsored Enterprise Mortgage Backed Securities	50%	1,000%	N/A
FFELP Student Loan ABS	50%	1,000%	N/A
Private Student Loan ABS	25%	500%	N/A
Automobile Loan/Lease ABS	25%	500%	N/A
Credit Card ABS	25%	500%	N/A
Other Asset-backed securities not listed above	10% Each Type 25% in Aggregate	200% Each Type 500% in Aggregate	N/A
Mono-line insurer	20%	400%	This limit is for exposure to insurers of ABS and other types of bonds. If insured, both this limit and the limits on the type of bond will be applicable.
Tri-party Repos, Securities Lending, Dollar Rolls	N/A	N/A	Securities repurchased under agreement to resell or collateral for securities lending and dollar rolls must be legal investments for Alloya under Parts I & II Expanded Authorities. These investments are subject to all the constraints of 704.5(d) & (e).
Money Market Registered Investment Companies	20%	400%	The investment company must be registered and the investments must be permissible for Alloya under Parts I & III Expanded Authorities.
Asset-backed Commercial Paper	10% Each Type 25% in Aggregate	200% Each Type 500% in Aggregate	Subject to ABS Category limits in addition CP investment type limit.
Corporate Debt	50%	1,000%	Each NAICS Category limited to the lesser of 10% of Assets and 200% of Capital
Taxable debt obligations of U.S. state and political subdivisions	50%	1,000%	N/A

- a. Quarterly management will report the aggregate sector exposure combining the pro-rata sector exposure for US Central with the direct exposure of Alloya for review by management, ALCO and Board of Directors.

10. Permissible Investments – Individual Obligor Constraints

Issuer/Type of Investment	Maximum % of Capital by Obligor Where All Obligations are less than 30 Days	Maximum % of Capital by Obligor Where All Obligations are 30 Days or More	Other Constraints
U.S. Government	N/A	N/A	N/A
U.S. Agencies, including U.S. Government Agency Residential Mortgage Backed Securities	N/A	N/A	N/A

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Issuer/Type of Investment	Maximum % of Capital by Obligor Where All Obligations are less than 30 Days	Maximum % of Capital by Obligor Where All Obligations are 30 Days or More	Other Constraints
Debt of U.S. Sponsored Enterprises	50%	25%	Or \$5 million, whichever is greater.
Shares in Federally Insured Corporate Credit Unions	50%	25%	Or \$5 million, whichever is greater. Deposits or shares that are fully insured are exempt from this limit.
Fed Funds Sold	50%	25%	Or \$5 million, whichever is greater.
U.S. Banks	50%	25%	Or \$5 million, whichever is greater. Deposits or shares that are fully insured are exempt from this limit.
U.S. Government Enterprise Residential Mortgage Backed Securities	50%	25%	Or \$5 million, whichever is greater.
Commercial Mortgage Backed Securities	50%	25%	Or \$5 million, whichever is greater.
FFELP Student Loan ABS	50%	25%	Or \$5 million, whichever is greater.
Private Student Loan ABS	50%	25%	Or \$5 million, whichever is greater.
Automobile Loan/Lease ABS	50%	25%	Or \$5 million, whichever is greater.
Credit Card ABS – Discrete Trust	50%	50%	Or \$5 million, whichever is greater.
Credit Card ABS – Master Trust	50%	25%	Or \$5 million, whichever is greater.
Mono-line insurer	50%	25%	Or \$5 million, whichever is greater. This limit is for exposure to insurers of ABS and other types of bonds. If insured, both this limit and the limits on the type of bond will be applicable.
Tri-party Repos, Securities Lending, Dollar Rolls	200%	200%	Or \$5 million, whichever is greater. Securities repurchased under agreement to resell or collateral for securities lending and dollar rolls must be legal investments for Alloya under Parts I & II Expanded Authorities. These investments are subject to all the constraints of 704.5(d) & (e).
Money Market Registered Investment Companies	100%	100%	Or \$5 million, whichever is greater. The investment company must be registered and the investments must be permissible for Alloya under Parts I & III Expanded Authorities.
Asset-backed Commercial Paper	50%	25%	Or \$5 million, whichever is greater.
Corporate Debt	50%	25%	Or \$5 million, whichever is greater.
Taxable debt obligations of U.S. state and political subdivisions	50%	25%	Or \$5 million, whichever is greater.

11. Pre-Purchase Analytics for Derivatives Transactions (subject to NCUA approval of Alloya’s Level III Expanded Investment Authority Application) – The ALM Department will perform the following pre-trade analytics for each derivatives transaction:

- a. Impact on NEV sensitivity;
 - b. Description of the hedge, i.e., the risk management objectives and strategy and the risk being hedged;
 - c. For OTC derivative transactions, verification of the counterparty credit limit and room under the limit for potential exposure over the life of the transaction; and
 - d. Impact on cash requirements.
12. Corporate CUSOs
- a. The Board will approve all equity investments in corporate CUSOs.
 - b. Each corporate CUSO will be reviewed to assure that it is operated as an entity separate from a corporate credit union.
 - c. Before Alloya invests in a corporate CUSO it must obtain a written legal opinion that the corporate CUSO is organized and operated in a manner that Alloya will not reasonably be held liable for the obligations of the corporate CUSO. The letter must address factors that have led courts to “pierce the corporate veil” such as inadequate capitalization, lack of corporate identity, control of one entity over another, and lack of separate books and records.
 - d. Prior to making an investment in a corporate CUSO, Alloya must obtain a written agreement that the corporate CUSO will:
 - 1) Follow GAAP;
 - 2) Provide financial statements to Alloya at least quarterly;
 - 3) Obtain an annual CPA opinion audit and provide a copy to Alloya;
 - 4) Allow the Alloya’s auditor, board and NCUA complete access to the corporate CUSO’s books, records, and any other pertinent documentation.
 - e. The sum of all investments in corporate CUSOs will be no more than fifteen percent (15%) of Alloya’s capital.
 - 1) The sum of all investments in and loans to corporate CUSOs shall not exceed thirty percent (30%) of Alloya’s capital, subject to item g. below.
 - 2) Alloya may loan to corporate CUSOs an additional fifteen percent (15%) of capital if collateralized by assets in which Alloya has perfected a security interest under state law.
13. Repurchase Agreements – Repurchase agreements must be for the purchase of approved investment securities and other acceptable securities and further limited as follows:
- a. Alloya, directly or through its agent, will receive written confirmation of the transaction and take physical possession or must be recorded as owner.
 - b. The repurchase securities must be legal investments under Alloya’s level of expanded authority.
 - c. The collateral margins must meet the minimum requirements for each collateral type given the risk assessment and term of the transaction. This is negotiated and documented for each counterparty per contract. Alloya will receive a daily assessment of the market value of the repurchase securities. Repurchase transactions must have a collateral margin as determined by Alloya’s third party agent that is sufficient given the type of collateral, associated risk, and industry standards.
 - d. Alloya will enter into signed contracts with all approved counterparties and agents, and will ensure compliance with the contracts. The contracts must address any supplemental terms and conditions necessary to meet regulatory requirements. Third party arrangements must be supported by tri-party contracts in which the repurchase securities are priced and reported daily and the tri-party agent ensures compliance. Alloya will maintain the following signed agreements on file for repurchase transactions with approved banks and broker/dealers:
 - 1) Master Repurchase Agreement (using the Public Securities Association Agreement or other formats as approved by the Board of Directors).
 - 2) Tri-Party Custody Agreement (not required if collateral is received delivery versus payment at Alloya’s Federal Reserve account).
14. Securities lending – Alloya may enter into a securities lending transaction provided that:
- a. Alloya, directly or through its agent, receives written confirmation of the loan, obtains a first priority security interest in the collateral by taking physical possession or control of the collateral, or is recorded as owner of the collateral through the Federal Reserve Book-Entry Securities Transfer System;
 - b. The collateral is a legal investment for Alloya;
 - c. The collateral margins must meet the minimum requirements for each collateral type given the risk assessment and term of the transaction. This is negotiated and documented for each counterparty per contract. Alloya will receive a daily assessment of the market value of the repurchase securities. Repurchase transactions must have a collateral margin as determined by Alloya’s third party agent that is sufficient given the type of collateral, associated risk, and industry standards;
 - d. Alloya will enter into signed contracts with all agents and, directly or through its agent, has executed a written loan and security agreement with the borrower. Alloya or its agent will ensure compliance with the agreements.
15. Investment Companies – Alloya may invest in an investment company registered with the SEC, provided the prospectus of the company restricts the investment portfolio to investments and investment transactions that are permissible for Alloya.
16. Investment Concentration Limits
- a. In order to assume credit risk in a controlled manner, Alloya has policy limits for an obligor’s minimum credit profile, the maximum exposure to an obligor as a percentage of Alloya’s capital, and the maximum exposure to a sector as a percentage of net assets.

- b. The definition of capital, in accordance with NCUA Regulation 704, is the sum of Alloya’s retained earnings, perpetual contributed capital, and non-perpetual capital.
 - c. Alloya may engage in when-issued trading, when accounted for on a trade date basis.
 - d. Alloya may transact short sales of permissible investments to reduce market risk under Part I Expanded Authority.
18. Derivatives Transactions (subject to NCUA approval of Alloya’s Level III Expanded Investment Authority Application)
- a. Alloya may engage in:
 - 1) Over-the-Counter (OTC) interest rate derivatives transactions, including, but not limited to:
 - a) Fixed-for-floating.
 - b) Floating-for-fixed.
 - c) Basis swaps.
 - 2) These OTC instruments may have a fixed or variable notional amount, have a forward start date, be callable or puttable, or have an option to enter into or terminate the swap, have a fixed rate that changes over the life of the swap, or combinations of these, or have other features compatible with appropriate hedging or investment product development activity.
 - 3) The list of permissible types of hedge transactions will be maintained in the ALM Derivatives Operating Procedures.
 - b. Alloya may engage in the derivatives transactions listed above for the following purposes:
 - 1) Cash flow hedges on uncapped bonds.
 - 2) Cash flow Hedges on capped bonds.
 - 3) Fair value hedges of assets.
 - 4) Hedges to manage basis risk.
 - 5) Hedges classified as trading under FASB 159.
 - 6) Other authorized hedges.
 - c. Alloya’s management will design, establish and maintain an adequate and effective system of internal controls over derivatives activities commensurate with the type and level of risk associated with derivatives activities. Control activities shall ensure effective and efficient operations, reliable financial and regulatory reporting, compliance with relevant laws and regulations, and compliance with Alloya’s policies.
19. Grand-fathering – Unless otherwise noted by regulation, Alloya will hold all investments that were permissible under the regulation in effect at time of purchase. Additionally, this document supersedes all previous ones in place, and will be effective immediately on the date it is approved.
20. Safekeeping
- a. All investment transactions will be executed on a delivery versus payment (DVP) basis.
 - b. In the event that settlement is later than the “regular way,” it must take place as DVP and delivery and acceptance are mandatory. The transaction is clearly disclosed in the monthly ALCO purchases and sales report created by the Finance Department, and within the security file. Adequate funds must be available to make the purchase.
 - c. Alloya must own all investments it plans to sell prior to the transaction.
21. Prohibited Investments/Activities – Alloya may not engage in the following types of investments or investment activity:
- a. Standby commitments. (This does not pertain to standby letters of credit issued for members)
 - b. Adjusted trades or pair-off transactions.
 - c. Stripped mortgage-backed securities other than principal only mortgage-backed securities purchased to reduce market risk, residual interests in CMO/REMICs.
 - d. Mortgage-servicing rights.
 - e. Private (not U.S. Agency or GSE) residential mortgage backed securities.
 - f. Small business-related securities.
 - g. Net Interest Margin securities.
 - h. Collateralized Debt Obligations.
 - i. Trading Accounts – Any form of speculative trading activity is expressly forbidden.
 - j. Off balance sheet financial derivatives such as futures, options, interest rate swaps or forward rate agreements, unless having been specifically authorized to do so under Part III Expanded Authorities as granted by NCUA.
 - k. Settlements that are not considered purchase agreements or which are funded by the selling dealer supplying source funds (Repositioning Repurchase Agreements).
 - l. Delegation of discretionary authority to non-employees.
 - m. Sales or purchases of securities at prices related to the fair market value (adjusted price trading).
 - n. Alloya may not own any bonds that will result in Alloya owning equity due to conversion.
22. Contracts – Alloya will have signed contracts with all approved counterparties prior to engaging in repurchase transactions, securities lending, and any other type of approved investment where market convention requires a contract between counterparties. Management is responsible for ensuring that such contracts will address any supplemental terms and conditions necessary to meet the specific requirements of NCUA Regulation 704. Staff that engage in such investments transactions must be familiar with the terms of such contracts.
23. Alloya’s General Risk Management Philosophy
- a. The focus of the Board, volunteers and management shall be on the return of principal, versus the return on principal invested.

- b. The Board is responsible for ensuring that management is familiar with the usage, risks, and operating practices for managing investment, derivative (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application), asset/liability, operating and other risks. Management will develop, present or contract for the presentation of training on investment instruments, usage, risks and other aspects of fixed-income risk management for the Board and ALCO.
- c. Management will ensure that staff involved with derivatives (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application), including ALM department, Market Risk Management department, Credit Risk Management department and Accounting department staff, has adequate prior experience and/or training, and will ensure that staff engages in continuing education related to fixed-income management.
- d. Management will ensure the appropriate separation of duties exists to ensure adequate internal controls for all cash investment and derivative activities (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application). The general responsibilities are listed below:
 - 1) The ALM department is responsible for developing, documenting and executing cash and derivative transactions.
 - 2) Corporate Risk Analysis is responsible for measuring and reporting the values of all cash and derivatives transactions and positions to ALCO for purposes of compliance with interest rate risk and credit limits, for analyzing, approving and monitoring the creditworthiness of obligors, and monitoring and reporting compliance with NCUA Rules and Regulations Part 704 and Members United's Policies.
 - 3) Accounting is responsible for the accounting for all transactions, for GAAP reporting on financial positions and performance, regulatory and other reporting. ALRM is responsible for the valuation and the preparation of the daily credit exposure report.
 - 4) EFT is responsible for the actual movement of cash.

X. LENDING

A. OBJECTIVE:

- 1. Alloya's objective is to provide loans that are for sound and lawful purposes to members, as defined in these Policies, and corporate CUSOs. The loans granted will demonstrate the creditworthiness of the borrower and the likelihood of repayment within proposed terms. It is the policy of Alloya to comply with federal and state laws and regulations relating to the granting of loans, recognizing that these regulations are designed to protect our members and assist the entities in operating in a safe and sound manner.
- 2. The authority for Alloya to invest in or loan to members is contained in NCUA Rules and Regulation Part 704, and the member must be organized in accordance to these rules.
- 3. Officers with authority to lend are responsible for having sufficient knowledge and understanding of the policies and procedures, maintaining and supporting them, complying with them, and adhering to them in the spirit of applicable laws and regulations.
- 4. Alloya's management is directed to grant loans to members of acceptable quality and liquidity and to create a system for reviewing and monitoring loans for credit quality, documentation and regulatory and policy compliance.

B. AUTHORIZATION:

- 1. Responsibility – The Vice President, Lending is responsible for the operations and management of the lending function.
- 2. Authority to Conduct Business – The personnel involved in the underwriting of the credit union and CUSO loans must have consumer lending experience, or comparable business lending experience. Alloya's personnel involved in underwriting member business loans must have at least two (2) years of lending experience.

C. PARAMETERS:

- 1. Limits
 - a. Membership capital holders
 - 1) Secured and unsecured
 - a) The maximum aggregate amount in loans, lines of credit, and letters of credit to any one member is one hundred percent (100%) of Alloya's capital.
 - b) The maximum aggregate amount in loans, lines of credit, and letters of credit to any one member is 30 times their contributed capital
 - 2) Maximum Borrowing Authority – Alloya will not in aggregate, lend to an individual credit union more than fifty percent (50%) of the sum of that credit union's paid-in-capital, unimpaired capital, and surplus (shares and undivided earnings, plus net income or minus net loss). The 50 per centum calculation will be applied when a new line of credit is established, and when an existing line of credit is reviewed or modified.
 - b. Corporate CUSOs
 - 1) Corporate CUSO limits stated below will apply to corporate CUSOs and partner members that are corporate CUSOs.
 - 2) The sum of all investments in and loans corporate CUSOs shall not exceed thirty percent (30%) of Alloya's capital, subject to item 3 below.

- 3) Alloya may loan to corporate CUSOs an additional fifteen percent (15%) of capital if collateralized by assets in which Alloya has perfected a security interest under state law
- c. Construction Loans – The maximum aggregate amount must not exceed fifteen percent (15%) of capital minus any portion of a loan secured by shares in Alloya, deposits in another financial institution, fully or partially insured or guaranteed by an agency of the federal government, state, or its political subdivisions or subject to an advance commitment to purchase by any agency of the federal government, state or its political subdivisions.
2. Corporate CUSO – Alloya will make loans to corporate CUSO and investments in CUSOs upon the following terms and conditions:
 - a. A corporate CUSO must be at least partly owned by a corporate credit union.
 - b. A corporate CUSO must have been pre-approved by NCUA
 - c. A corporate CUSO must be structured as either a corporation, limited liability company or limited partnership under state law, and must submit a copy of its Articles of Incorporation, Articles of Organization, or Partnership Agreement to Alloya.
 - d. A corporate credit union investing in or lending to a corporate CUSO must obtain a written legal opinion that the corporate CUSO is organized and operates in such a manner that the corporate credit union will not reasonably be held liable for the obligations of the corporate CUSO. This opinion must address factors that have led courts to “pierce the corporate veil,” such as inadequate capitalization, lack of separate corporate identity, common Boards of Directors and employees, control of one entity over another and lack of separate books and records.
 - e. The corporate CUSO must primarily serve credit unions and restrict its services to those related to the normal course of credit union business.
 - f. The corporate CUSO must submit evidence of its authority to borrow, commit collateral and negotiate contract in the form of a corporate Board of Directors resolution, organization resolution, or partnership resolution.
 - g. The corporate CUSO must submit sufficient information to adequately analyze the ability to support and repay the debt. Some examples would be financial statements, purpose of the loan and description of the planned activity of the borrower.
 - h. The Lending Department or other qualified resource identified herein will analyze and document the ability of the borrower(s) and/or guarantor(s) to repay the loan. Considerations include: existing and projected/pro-forma financials with industry/peer averages, balance sheet, cash flow analysis, income statements, business and strategic plans, the borrower’s history and experience, recourse to Owners and Principles, and loan purpose.
 - i. The corporate CUSO must provide services and/or products approved by NCUA:
 - j. Prior to making an investment in or loan to a corporate CUSO, the borrower must enter into a written loan agreement with Alloya that the borrower will adhere to the following:
 - 1) Follow GAAP;
 - 2) Render financial statements (balance sheet and income and expense statements) at least quarterly and obtain an annual CPA audit and provide copies of such to Alloya;
 - 3) Allow Alloya’s auditor, Board of Directors, and NCUA complete access to its books, records, and any other pertinent documentation.
 - 4) Will operate as a separate entity from Alloya
 - 5) Provide a written legal opinion that the Corporate CUSO is organized and operated in such a manner that Alloya will not reasonably be held liable for the obligations of the Corporate CUSO. The opinion must address factors that have led courts to “pierce the corporate veil” such as inadequate capitalization, lack of corporate identity, common board of directors and employees, control of one entity over another, and lack of separate books and records.
 - 6) Alloya’s management, officers, or employees which have invested in or loaned to a Corporate CUSO may not receive, either directly or indirectly, any salary commission, investment income, or other income, compensation, or consideration from the Corporate CUSO. This prohibition also extends to immediate family members of the above listed individuals.
 - 7) Alloya may not use this authority to acquire, control, directly or indirectly, another depository institution, or to invest in shares, stocks, or obligations or another depository financial institution, insurance company, trade association, liquidity facility or similar organization.
 - k. An official of a corporate credit union which has invested in or loaned to a corporate CUSO may not receive, either directly or indirectly, any salary, commission, investment income, or other income, compensation, or consideration from the corporate CUSO. This prohibition also extends to immediate family members of officials.
 - l. Conflicts of Interest - Any third party used by a credit union to meet the requirements of paragraph (a) of this section must be independent from the transaction and is prohibited from having a participation in the loan or an interest in the collateral securing the loan with the following exceptions:
 - 1) The third party may provide a service to the credit union related to the transaction, such as loan servicing;
 - 2) The third party may provide the requisite experience to the credit union and purchase a loan or a participation interest in a loan originated by the credit union that the third party reviewed; or

- 3) A credit union may use the services of a CUSO that otherwise meets the requirements of this section even though the CUSO is not independent from the transaction, provided the credit union has a controlling financial interest in the CUSO as determined under Generally Accepted Accounting Principles.
- m. The Lending Department will review the financial condition of the corporate CUSO on at least an annual basis.
- n. The determination of priority and the weight to be afforded the factor of the corporate CUSO operations and activities shall be in the sole judgment and discretion of Alloya.
- o. The qualifications and experience of personnel (minimum of two (2) years) involved in making and administering business loans and analyzing financial statements. The experience must provide the credit union sufficient expertise given the complexity and risk exposure of the loans in which the credit union intends to engage. A credit union can meet the experience requirement through using the services of a credit union service organization (CUSO), an employee or another credit union, an independent contractor, or other third parties insuring the external resource does not have any conflict of interest in the credit decision and maintains a non-discretionary position in the process.
3. Types of Loans
 - a. Alloya's loan products are designed to meet the financing requirements of its members and may be any one or combination of the following types:
 - 1) Revolving Line of Credit (overdraft or for any other purpose, such as contingency liquidity, warehouse);
 - 2) Term Line of Credit (for purposes of borrowing over one (1) year);
 - 3) Commercial Mortgage Loan (for credit union branch or headquarters);
 - 4) Construction Loans (for credit union branch or headquarters);
 - 5) Letters of Credit;
 - 6) CLF/208 Assistance Loans.
 - b. Various line of credit facilities are available, including advised and committed facilities. Periodically, Alloya will develop new loan types to meet the needs of our members. Credit union and/or other members who have vendor settlement must maintain a line of credit. Members who settle Alloya's services may or may not have a line of credit, depending upon the circumstances and approval of the CEO.
5. Unacceptable Loans
 - a. Other Members – The following is intended to serve as a guide in determining the proper purpose of only those Other Member loans fully subject to Part 723. Normally, applications for these types of loans will be declined:
 - 1) Loans to Alloya's Officers as defined in this Policy Manual;
 - 2) Loans to associated members or immediate family members of Alloya's Officers as defined in this Policy Manual;
 - 3) Loans where any additional income received by Alloya or a member of Senior Management is tied to the profits or sale of the business or commercial endeavor for which the loan is made. Also phrased as "equity agreement/joint venture";
 - 4) Loans to a compensated director, unless the Board of Directors approves the loan and the compensated Director is recused from the decision making process.
6. Loan Pricing
 - a. Variable and fixed-rate loan pricing will be determined by management and reviewed by the ALCO or another appropriate ALCO subcommittee. In no case will the pricing of loans exceed the regulatory limits.
7. Repayment, Maturities and Penalties
 - a. Repayment
 - 1) The terms of repayment of a loan are related to the loan type. Some repayment terms can be principal and interest, interest only, lump sum payments, scheduled principal payments, and any other repayment type.
 - b. Maturities
 - 1) No loan can exceed the NCUA maturity requirement of fifteen (15) years.
 - c. Penalties
 - 1) A penalty may be assessed to members and non-members for overdrawn lines of credit, early repayment of term loans, or other reasons as detailed in the loan agreements. If the loan agreement does not state a penalty rate, the penalty will be equivalent to market rates. Alloya's lending procedures detail the assessment of penalties.
8. Underwriting Requirements for Loans – Alloya will focus on lending to creditworthy credit unions and other members where the risks of repayment are clearly identified and the primary and secondary sources of repayment are realistic and substantive.
9. Application Process – The application process is detailed in the Lending Procedures.
10. Documented Analysis – The primary objective of the credit underwriting process is to protect Alloya from undue risk of loss through the application of safe and sound lending practices. An important secondary objective is to provide the borrowing capacity deemed necessary for the successful operation of the member credit union or other member. The Lending Procedures identify specific underwriting processes to follow:
 - a. A credit file will be maintained for each credit.

- b. At underwriting a Alloya Risk Rating is assigned to each credit, documenting the level of risk of actual credit loss to Alloya. This risk rating drives the plan for future reviews; a higher risk credit warrants more frequent reviews (see Lending Procedures for Risk Rating Matrix).
11. Lending Authority
- a. On a quarterly basis, all loan decisions are submitted and reported to the Credit Committee.
 - b. Secured Lending Limits

Position Title	Secured Limit
Senior Loan Analyst	10% Capital
VP, Lending	30% Capital
SVP, MR	40% Capital
CEO	50% Capital
Credit Committee	> 50% Capital

12. Commitment and Closing – Once Alloya has completed the underwriting analysis, a commitment letter will be delivered to the credit union noting the terms and conditions of the loan. When a signed copy of the commitment letter is received, Lending drafts the contracts using forms preapproved by counsel and they are delivered to the credit union for execution.
13. Geographic Restrictions – Loans to members and non-members may be made anywhere within Alloya’s field of membership.
14. Collateral – Alloya’s line of credit facilities will be targeted to all credit unions and other members and will be secured by loans, investments, real estate, shares, or other such collateral, if applicable for the type of facility extended. Alloya will perfect its security interest in the collateral provided.
15. Collateral Valuation – Collateral valuation will be accomplished by various methods, commensurate with the size of the transaction, Alloya’s total exposure and the collateral type. Collateral value may be re-assessed if the primary source of repayment (cash flow) is in doubt.
16. Loan to Value
- a. Credit Union – The maximum loan-to-value requirements for credit extensions to credit unions are listed in the Lending Procedures. The loan-to-value percentages are based on the ability of Alloya to recover value in the event of collateral liquidation.
 - b. Other Members – The maximum loan-to-value requirements for credit extensions to other members are listed in the Lending Procedures. The loan-to-value percentages are based on the ability of Alloya to recover value in the event of collateral liquidation.
 - c. Alloya will not allow a Borrower to substitute an insurance, guarantee or advance commitment to purchase by any agency of the federal government, a state or any political subdivision of such state for the collateral requirements of this paragraph.
17. Annual Review – Extensions of credit to credit unions and other members are reviewed at least annually through an applicable Credit Union Analysis System and/or internal review process. Alloya employs a method of risk-based reviews and the level of exposure will determine the frequency of the review. The risk based methodology is outlined in the procedures and includes a review of liquidity, capital and earnings of the member. Alloya will identify those credit unions whose financial position and/or loan exposure warrants increased monitoring, and, as such, will be added to Alloya’s watchlist. The criteria in which a credit union can be added to Alloya’s watchlist is identified in the Lending Procedures. Once placed on the watchlist, a credit union will undergo a due diligence review at least twice within a twelve-month period. Credit unions may be required to submit additional documentation for Alloya to make an accurate assessment of its financial position.
18. Loan Collateral Access
- a. A borrower that has pledged shares, marketable securities and reverse repurchase transactions will not have access to collateral that secures repayment of an advance, except to the extent that the advance is paid off. Alloya retains the discretion to accept collateral substitutions.
 - b. Borrowers that have collateralized advances by blanket lien via the Credit and Security Agreement shall not be restricted in their access to assets as long as adequate collateral remains available to support the member’s line and borrowing position.
19. Loan Collateral Types – Acceptable collateral includes the following:
- a. Shares and Deposit Accounts – Shares, share certificates, deposit accounts, certificates of deposit, drafts, money and instruments maintained in the name of the borrower at any credit union, bank or other depository institution or in the possession of any third party agent. The pledge of shares by borrower excludes Membership Capital Share Deposits maintained at Alloya.
 - b. Accounts and Other Rights to Payment – Borrower’s rights to payment arising out of debt instruments and loans and obligations receivable.
 - c. General Intangibles – All of the borrower’s right, title and interest in general intangibles.
 - d. Investment Property – Investment property, securities, financial assets, securities accounts, and securities entitlements.
 - e. Acceptable securities are limited to U.S. Government and government agency securities.
 - f. Alloya will ensure a UCC-1 is filed with the Secretary of States office in connection with members for which Alloya has credit exposure. Filings will be in the appropriate State(s) as per Revised Article 9 of the Uniform Commercial Code (effective July 1, 2001). Additionally, for members

- outside the continental United States, a UCC-1 will be filed with the Secretary of State in Washington D.C.
20. Monitoring Securities pledged as collateral – Alloya will monitor all securities pledged as collateral toward a line of credit or term loan and notify the member when a pledged security is about to expire/mature. To maintain the existing credit limit, the member will be requested to pledge additional collateral as required.
 21. CLF Loans – Loans guaranteed by the CLF are made in accordance with criteria established by CLF.
 22. Loan Calls
 - a. Any credit union that is placed in voluntary or involuntary liquidation will be sent a notice calling in the balance of outstanding loans in full.
 - b. Any credit union placed in suspension will be asked to submit a plan of repayment and to state what steps are being taken to remove the credit union from suspension status.
 23. Other Line of Credit Types – Any other credit arrangement is a custom line of credit, which will be supported by its own unique documents.
 24. Letters of Credit – Alloya may issue Letters of Credit on behalf of eligible members.
 25. Member Reverse Repurchase Transactions – Alloya may enter into a member reverse repurchase transaction on behalf of eligible members, subject to the following:
 - a. Member's Line of Credit is not affected by reverse repurchase transactions.
 - b. Member must sign a Safekeeping Agreement and a General Repurchase Agreement.
 - c. The transaction is done directly with the Securities/Cash Positioning Analyst.
 - d. The Securities/Cash Positioning Analyst will issue a Confirmation for Reverse Repurchase Transaction (which contains certificate amount, certificate rate and maturity, loan amount, loan rate and maturity).
 - e. At all times during a member reverse repurchase transaction, the aggregate market value of the securities shall equal at least one hundred percent (100%) of the repurchase price (margin). On any business day that the aggregate market value of the securities is not equal to the required margin, the Seller (member credit union) shall sell and deliver to the purchaser (Alloya) by the next business day additional securities reasonably acceptable to the purchaser (Alloya), so that the aggregate market value of all securities equals the required margin. U. S. Central Credit Union will monitor the value of the collateral and will notify Alloya should additional collateral be required.

XI. LIQUIDITY/FUNDS MANAGEMENT

A. OBJECTIVE:

1. The purpose of managing liquidity at Alloya is to ensure the ability to meet the members' liquidity needs during usual and critical times.

B. RESPONSIBILITY:

1. The Chief Investment Officer (CIO) is responsible for managing, tracking and monitoring Alloya's liquidity position. The CFO or CRO is responsible for reporting on liquidity positions. The Vice President of Lending is responsible for tracking and monitoring member loan commitments.

C. PARAMETERS:

1. Liquidity & Funds Management Overview
 - a. As a provider of liquidity to the credit union network, Alloya will strive to ensure that it always has a balanced liquidity position.
 - b. Alloya recognizes that liquidity risk management involves the ability to convert assets to cash or to use assets to obtain cash, and the ability to borrow.
2. Borrowing Authority
 - a. The Board authorizes Alloya to borrow up to the regulatory limit of the lesser of ten (10) times capital or fifty percent (50%) of shares, provided that Alloya maintains its minimum capital ratio as required by regulation and policy. CLF Borrowings and borrowed funds created by the use of member reverse repurchase agreements are excluded from this limit.
 - b. Secured borrowing can only be done for liquidity purposes and only within a maximum maturity of 30 days if Alloya is less than well-capitalized as defined in regulation 704. If Alloya is well-capitalized, it can do secured borrowing for non-liquidity purposes in an amount equal to the corporate's excess capital.
 - c. The CFO shall report on borrowing activity that occurs each month to the ALCO.
 - d. The Contingency Funding Plan shall contain a detailed delegation of borrowing authority that reflects the chain of command at Alloya.
 - e. The CEO is authorized to borrow up to \$500 million per transaction, so long as that amount does not exceed the greater of ten (10) times capital or fifty percent (50%) of capital plus shares (excluding shares created by the use of member reverse repurchase agreements) and capital.
 - 1) The CIO is responsible for developing and maintaining Alloya's ability to borrow from diverse sources. The Contingency Funding Plan shall list Alloya's borrowing sources, estimates of the amount Alloya could borrow from each source, and the reliability of each source.
3. Commercial Paper
 - a. Alloya is authorized to issue up to \$1 billion in commercial paper.

- b. Alloya shall aim to maintain a minimum rating of A-1/P-1 or equivalent for its commercial paper liabilities.
- 4. Reverse Repo
 - a. Alloya is permitted to sell securities under agreement to repurchase to maintain its ability to borrow, for reinvestment, and to meet maturing liabilities.
 - b. Reverse repurchase securities must be legal investments for Alloya.
 - c. Investments made with proceeds from reverse repurchase transactions shall not be used for further reverse repurchase transactions or collateralization for loans.
 - d. The investments or deposits made with funds obtained through a reverse repurchase transaction must have a maturity date not materially later than the maturity date for the reverse repurchase transaction.
- 5. Limited Liquidity Investments
 - a. Limited Liquidity Investments are Investment Securities that are:
 - 1) Private placement securities – Registered 144a securities as defined by SEC regulation.
 - 2) Any other investment that is held outside of U.S. Central that is not a publicly registered security or mutual fund.
 - b. Limited Liquidity Investments plus non-liquid investments shall not exceed twenty-five percent (25%) of total investment holdings.
- 6. Non-Liquid Investments
 - a. Non-Liquid Investments are Investment Securities that are:
 - 1) Private Placements securities – Non-registered 144a securities as defined by SEC regulation.
 - 2) Any other investment that is not a publicly registered security or mutual fund (but not including cash and cash equivalents.).
 - 3) Loan Participations purchased.
 - 4) Whole Loans purchased.
 - b. Non-Liquid Investments shall not exceed fifteen percent (15%) of total investment holdings.
 - c. The CRO is responsible for the classification of Limited Liquidity Investments and for reporting the amount of such investments and compliance with these limits monthly to ALCO.
- 7. Non-Rated or Single-Rated Investments
 - a. Non-Rated or Single-rated Investments are not rated any of the publicly available NRSRO's or only hold one rating, respectively.
 - b. Non-Rated plus Single-Rated Investments should not exceed 10% of Investments.
- 8. Funds Management
 - a. The CIO is responsible for the daily management of the balance sheet and for assuming and managing liquidity risk in accordance with ALCO's limits for liquidity risk.
 - b. The CIO is responsible for developing detailed procedures for ALM Department staff regarding liquidity risk for each book of business.
 - c. The ALM Department management will monitor cash requirements related to derivatives transactions (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application) in both the base case and under the interest rate scenarios required by Policy in order to meet liquidity requirements such as margin calls, posting collateral, and funding assets when a callable certificate has been called.
 - d. The Contingency Funding Plan for managing liquidity risk shall provide for the following:
 - 1) Developing and monitoring sources of borrowing;
 - 2) Monitoring asset liquidity;
 - 3) Analysis of the current and estimates of the future level of core member shares.
- 9. Contingency Funding
 - a. Contingency Funding Plan – The ALCO shall ensure that Alloya develops a Contingency Funding Plan in accordance with the requirements of Part 704.9 of NCUA Rules and Regulations. The CIO is responsible for keeping this plan current and up-to-date. The ALM Department will review the plan at least annually to ascertain the impact of changing corporate needs and market conditions, and will report the plan at least annually to the ALCO.
- 10. Liquidity Risk Monitoring, Measurement and Reporting
 - a. The CFO is responsible for developing and maintaining the liquidity analysis report.
 - b. The CIO shall comment on Alloya's liquidity position monthly to the ALCO.
- 11. Liquidity and Funds Management Compliance
 - a. The CRO is responsible for monitoring compliance with the regulatory borrowing limit and the regulatory requirements for a contingency funding plan and with Alloya's liquidity and funds management policies.
 - b. The CRO will report policy violations to the ALM Department, the LT, ALCO, Supervisory Committee and the Board, and will report regulatory violations to these bodies and the Director of OCCU. A report of a compliance violation shall be accompanied by a plan of action to remedy the violation.

XII. MARKET RISK MANAGEMENT

A. OBJECTIVE:

1. Alloya's asset, liability and derivative (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application) portfolios are managed, in part, through the establishment of market risk benchmarks. These benchmarks assist management in establishing investment and funding strategies that reflect the desired risk profile identified through the benchmarks. Alloya's members' needs are changing and this document will address the need to manage market risk through an ever-changing portfolio. Therefore, Alloya's strategies consistently and effectively ensure prudent risk management. A summary of our purpose follows:
 - a. Alloya will maintain a prudent level of market risk.
 - b. In general, the value and yield of amortizing securities and securities with embedded options are relatively sensitive to interest rate movements. The strategy, volume and characteristics of these holdings will conform to and support Alloya's overall market risk management strategy.
 - c. NEV – The calculation of Net Economic Value (NEV) will capture all risks associated with the assets liabilities and derivatives (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application) on Alloya's balance sheet. Management will emphasize the importance of the calculation as an overall measure of Alloya's risk on its balance sheet in a variety of rate shock and economic scenarios.
 - d. WAL – The calculation of Weighted Average Life (WAL) will measure relative risks associated with the assets and liabilities on Alloya's balance sheet.
 - e. NII – The calculation of Net Interest Income (NII) will measure relative risks associated with the assets and liabilities on Alloya's balance sheet over a defined planning horizon.
 - f. NI – The calculation of Net Income (NI) will measure relative risks associated with the assets and liabilities on Alloya's balance sheet over a defined planning horizon.

B. RESPONSIBILITY:

1. The Chief Risk Officer (CRO) is responsible for the operation and measurement of Alloya's market risk. The day-to-day operational responsibilities may be delegated at the direction of the CRO.

C. PARAMETERS:

1. Market Risk Management
 - a. The separation of duties shall be distinct between the risk taking function and the risk monitoring functions.
 - b. Alloya will perform the required analysis on a monthly basis. The reports will be reviewed by Alloya management and ALCO.
2. Modeling of Balance Sheet Risk
 - a. NEV – The NEV is the mark to market of both sides of the balance sheet and the computation of fair market values under various interest rate scenarios. The definition of NEV excludes Perpetual Contributed Capital and Non-perpetual Capital from Total Liabilities and also disallows the use of core deposit valuation methodologies.
 - b. NII – The NII is the expected Net Interest Income over a given planning horizon, given reasonable assumptions consistent with the way Alloya expects to conduct business. This measurement excludes Non-Interest Income, Non-Interest Expense and Provision for Loan and Lease Losses.
 - c. NI – The NI is the expected Net Income (or Net Loss) over a given planning horizon, given reasonable assumptions consistent with the way Alloya expects to conduct business. This measurement includes Non-Interest Income, Non-Interest Expense and Provision for Loan and Lease Losses.
 - d. Pre-purchase analysis – The impact on NEV of new purchases is defined in the Investment section of this manual.
3. Market Risk Identification, Measuring and Reporting
 - a. Alloya seeks to control market risk by measuring its effects and establishing operating limits on Net Economic Value (NEV) and Weighted Average Life (WAL) in both current market conditions and in various interest rate scenarios.
 - b. Monthly, the Market Risk Management Department will simulate changes in the NEV ratio and WAL of the investment portfolio based on standardized assumption stresses. The CRO will report the results of these simulations to the ALCO.
 - c. Unless otherwise recommended by NCUA, NEV sensitivity will be measured the following parallel and instantaneous yield curve shifts:
 - 1) -300 basis points.
 - 2) -200 basis points.
 - 3) -100 basis points.
 - 4) No change or Base Case.
 - 5) +100 basis points.
 - 6) +200 basis points.
 - 7) +300 basis points.
 - d. Unless otherwise recommended by NCUA, WAL sensitivity will be measured by slowing assumed prepayment speeds by to 50% of original speeds
4. Market Risk from Derivatives (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application)

- a. Risk management staff will report the value of derivatives transactions daily to the ALM Department, the CRO, Credit Risk Management, and the CFO.
 - 1) Market Risk Management is responsible for the valuation of all cash and derivative transactions for reporting NEV to ALCO and Board.
 - 2) Simulations of NEV in the base case and in all interest rates scenarios will be based upon valuations of all cash and derivative instruments.
 - 3) Market Risk Management staff will include the value of all derivatives transactions in its monthly simulation reports of NEV to the ALCO and Board.
5. Simulation Assumptions
 - a. At least annually, Market Risk Management will review key assumptions, including the modeling of indices that serve as references in financial instruments coupon formulas, used within the asset/liability model. The results of this analysis will be presented to the ALCO at its next regularly scheduled meeting.
 - b. Key assumptions will be updated on a monthly basis to reflect the changing environment. Growth assumptions will also be updated periodically to reflect the current trends.
6. Simulation Reports – The Market Risk simulation reports will, at a minimum, detail simulation results and simulation compliance with limits defined below.
 - a. NEV Simulation Limits – NEV simulation should not project a decrease of greater than fifteen percent (15%) of the base case NEV, and the NEV ratio shall not fall below two percent (2%) under any of the standardized six (6) test scenarios identified above.
 - b. WAL Simulation Limits – WAL simulation should not project a WAL of greater than two (2.00) years under the base case scenario or greater than 2.25 years under the 50% prepayment speed scenario.
 - c. NII Modeling – NII shall be projected for a planning horizon of no less than two years.
7. Limit Triggers – Management will provide the ALCO, at its next regularly scheduled meeting, a written analysis describing the cause and planned remedial activities if any of the following simulation limits are exceeded:
 - a. NEV
 - 1) -10% at +/- 100 basis points.
 - 2) -12.5% at +/- 200 basis points.
 - 3) -15% at +/- 300 basis points.
 - 4) Decrease in base case NEV month over month of more than fifteen percent (15%).
8. Other ALM Limits
 - a. Additional Tests – The Market Risk Management Department will assess annually if it should conduct additional periodic tests to address market factors that may materially impact NEV. These factors should not result in a decline in excess of:
 - 1) 20% of NEV.
 - 2) The additional tests will include the four (4) listed below, however, based on market conditions and Alloya's balance sheet, other tests may be performed. The rationale for the tests chosen will be presented to the ALCO with the test results.
 - a) Changes in anticipated prepayments – prepayment speeds will be tested to a statistically significant level to expose Alloya's NEV to decreases and increases to prepayment speeds.
 - b) Changes in market spreads for non-Treasury instruments – Spreads for non-Treasury instruments will be widened to historic change maxima.
 - c) Alloya will test its exposure to increases and decreases in volatility and the impact these shocks have to NEV.
 - d) Statistically significant changes in the shape of the yield curve to incorporate a steeper and flatter yield curve.
 - b. Model Validation - Market Risk Management shall ensure that Alloya's NEV models are validated by an external source every other calendar year.
9. Market Risk Compliance
 - a. Policy Compliance
 - 1) If any simulation results exceed any policy limits, the CRO will report the violation to the ALM Department, the ALCO, Supervisory Committee, and the Board at the next regularly scheduled meeting. The CIO will submit a plan of action to the ALCO and Board of Directors within thirty (30) days of the initial notification of non-compliance.
 - b. Regulatory Compliance
 - 1) If Alloya's base case NEV, NEV ratio or WAL or the NEV, NEV ratio or WAL resulting from the respective tests listed above declines below the limits established by NCUA Regulation 704 Part I Expanded Authority and are not brought into compliance within ten (10) calendar days, the CRO must immediately report the information to the ALM Department, the ALCO, the Board of Directors, the Supervisory Committee, and the Director of OCCU. If any of these measures remain below the limits established by NCUA Regulation 704 Part I Expanded Authority thirty (30) calendar days after the violation, the CIO must submit a detailed, written action plan to NCUA that sets forth the time needed and means by which it intends to correct the violation.

XIII. PERPETUAL CONTRIBUTED CAPITAL (PCC)

A. OBJECTIVE:

1. The purpose of this Policy is to describe the terms and conditions under which Alloya may issue PCC.

B. RESPONSIBILITY:

1. The Chief Investment Officer (CIO) is responsible for managing this Policy and the PCC Program.

C. PARAMETERS:

1. Authorization Limit – Alloya is authorized to issue PCC to its members subject to the direction of the Board and consistent with Regulation 704.
2. Maturity – PCC has a perpetual maturity.
3. Callability
 - a. PCC is callable only by Alloya and only if Alloya meets the minimum regulatory capital and NEV requirements after the call would be exercised.
 - b. PCC is only callable with the approval of NCUA.
4. Insurance – PCC is not insured by the NCUSIF or other share or deposit insurers and is an at risk deposit.
5. Liquidation – In the event of a liquidation of Alloya, PCC is payable only after satisfaction of all liabilities of the liquidation estate, including uninsured share obligations to shareholders, the NCUSIF, and membership capital holders.
6. Depletion – Should Alloya operate unprofitably and produce negative retained earnings, PCC will be depleted in accordance with NCUA Regulations.
7. Mergers – In the event of a merger where Alloya is not the continuing credit union, PCC will not be called.
8. Disclosure – The terms and conditions of any PCC instrument must be disclosed to the record owner of the instrument at the time the instrument is created and must be signed by either all of the directors of the member credit union or, if authorized by board resolution, the chair and secretary of the board.
9. Release – PCC may not be released due solely to the merger, charter conversion or liquidation of a member credit union. In the event of a merger, the PCC transfers to the continuing credit union. In the event of a charter conversion, the PCC transfers to the new institution. In the event of liquidation, the PCC may be released to facilitate the payout of shares with the prior written approval of the OCCU Director.
10. Assumptions – Alloya may assume the PCC issuance from corporate credit unions that merge into Alloya. Generally, this will be done under the original terms of the issuance.
11. Pledging – PCC may not be pledged against borrowings.
12. Dividends – PCC dividends are payable at the sole discretion of the Board and may not be paid if Alloya fails to meet its minimum regulatory requirements.
13. Transfer
 - a) PCC may be transferred between members at par value, subject to meeting their then current capital requirements
 - b) Transfer of PCC is subject to Alloya Board approval and NCUA Regulations
14. PCC will be adjusted semi-annually

XIV. PRIVACY AND INFORMATION PROTECTION

A. OBJECTIVE:

1. Alloya is firmly committed to maintaining the privacy of its member credit unions, their members, and the confidentiality of all personal, corporate and financial information. Alloya recognizes a right to information privacy and, in turn, accepts the responsibility to keep information confidential. This Policy defines Alloya's commitment to privacy and applies to all business conducted by Alloya.
2. This document addresses not only good business practice, but also the following federal regulations, public law, and National Credit Union Administration (NCUA) Letters and Regulatory Alerts:
 - a. Public Law 15 U.S.C. 6801 and 6805(b) – Title V, Sections 501 and 505(b) - The Gramm-Leach-Bliley Act
 - b. Chapter VII, Title 12 CFR Parts 700-795 – *NCUA Rules & Regulations – Change 7*
 - 1) Part 716 Privacy of Consumer Financial Information and Appendix
 - 2) Part 717 – Subpart J – Identity Theft Red Flags
 - 3) Part 748 Security Program, Report of Crime & Catastrophic Act and Bank Secrecy Act Compliance
 - c. U.S.A. Patriot Act of 2001

B. RESPONSIBILITY:

1. The Chief Financial Officer (CFO) is responsible for developing, implementing, monitoring and modifying operating procedures for the privacy and information protection function.

C. PARAMETERS:

1. Collection of Nonpublic Consumer Information
 - a. In general, Alloya does not *collect* consumer or customer information as defined in Title 12 CFR Part 716.3(c) *Definitions* section of the NCUA Rules and Regulations. As Alloya's members are exclusively other credit unions, most nonpublic consumer information *collected* is related to business-

- to-business transactions, financial servicing or processing, or relationships with Alloya’s members, not consumers.
 - b. Title V of the Gramm-Leach-Bliley Act concerns the collection and disclosure of *consumer* and *customer* information. In the course of Alloya’s business, nonpublic consumer information is visible and accessible to certain Alloya employees and select third parties. Title 12 CFR Part 716.3(e)(2)(iv) specifically excludes processing services, such as those Alloya provides to its members, from regulation.
 - c. In addition, Part 716.14 contains exceptions to the notice and opt out requirements for such processing transactions as well as proposed securitization, secondary market sale or similar transaction such as a loan participation related to the transaction of the consumer. Alloya includes contractual confidentiality provisions in its contracts that may be subject to the exception to opt out requirements for service providers and joint marketing (12 C.F.R. Part 716.13) and executes a non-disclosure agreement with its member credit unions.
 - d. Despite these exceptions, Alloya feels disclosure of any information used in processing and servicing must be mitigated and limited by confidentiality agreements between Alloya and its members, Non-Disclosure Agreements with Alloya’s vendors and affiliated third parties, and information security best practices.
- 2. Disclosure of Confidential Information to Non-Affiliated Entities
 - a. With regard to non-affiliated entities and organizations, information is disclosed only to those parties who assist Alloya in conducting business, or organizations that may assist Alloya in the future.
 - b. In order to ensure that the highest privacy and information security standards are maintained, Alloya requires that any relationship in which nonpublic information is exchanged include confidentiality standards and a Non-Disclosure Agreement, or non-disclosure language. An authorized employee of Alloya must sign such contracts and non-disclosure agreements.
 - c. Sometimes it is necessary to provide information to organizations outside of Alloya including:
 - 1) Requests necessary to comply with a government agency or court order, or
 - 2) Requests based on explicit permission of the member to disclose such information.
 - d. Alloya utilizes a process of due diligence review surrounding each relationship with third party service providers.
- 3. Information Security Program – In addressing Part 748 Appendix A of the NCUA Rules & Regulations, Alloya employs internal resources tasked with the maintenance of Alloya’s Information Security Policy and other security-related documents and procedures. Alloya implements and maintains such physical, electronic and procedural safeguards and measures to protect confidential information from use, disclosure or reproduction by third parties. Alloya regularly performs data sensitivity reviews and vulnerability assessments on its technology-related and electronic data business processes.
- 4. Prevention of Consumer Identity Theft – In compliance with NCUA Rules and Regulations – Part 716, Alloya takes the following steps to prevent identity theft:
 - a. Security and Privacy Awareness training for all employees.
 - b. Criminal and credit background checks on employees
 - c. Due diligence for contracts.
 - d. Destruction of non-essential data.
 - e. Vulnerability and penetration tests.
- 5. Identity Theft Red Flags Part 717 – Subpart J of NCUA’s Rules and Regulations requires all federal credit unions that offer or maintain one or more “covered accounts” to develop and maintain an Identity Theft Prevention Program.
 - a. Alloya does not offer or maintain accounts to individual consumers; it in turn does not offer or maintain covered accounts as defined in the regulation. As such, it is not required to develop and maintain a separate Identity Theft Prevention Program under the Identity Theft Red Flags Regulation.
 - b. Alloya will comply with NCUA Regulation 717 as it pertains to corporate credit unions. Alloya will re-assess its accounts on at least an annual basis to determine whether it is offering or maintaining “covered accounts”.
- 6. Information Requests Pertaining to Suspected Terrorist Activity – In compliance with the USA Patriot Act requirements, Alloya has designated its Compliance Officer to receive and respond to any applicable information requests, including but not limited to Section 314(a) requests.
- 7. Acceptable Usage Statement – The Computer and Internet Guideline provided to and acknowledged by every employee defines appropriate use of the computing systems and facilities located at or operated by Alloya. The definition of Alloya's computing facilities includes any computer, server or network provided, owned, or supported by Alloya. Use of the computer facilities includes the use of data/programs stored on Alloya computing systems, data/programs stored on magnetic tape, floppy disk, CD ROM or other storage media that is owned and maintained by Alloya. Use of computer facilities also includes data transmitted using network devices owned and operated by Alloya. The “user” of the system is the person requesting an account (or accounts) in order to perform work in support of Alloya or a project authorized for Alloya. Alloya accounts and systems are to be used only for the purpose for which they are authorized. Unauthorized use of Alloya computing systems and facilities may constitute grounds for termination of employment, and/or either civil or criminal prosecution.
- 8. Alloya Privacy Policy to Members - In compliance with NCUA Rules & Regulations – Part 716 (a) (1) which requires which requires credit unions to provide notice to members about its privacy policy and practices, Alloya does the following:

- a. Alloya posts a privacy statement on its publicly accessible web sites. This privacy statement:
 - 1) Details the information collected from visitors to Alloya public websites, and those operated for Alloya subsidiaries. These sites may be located anywhere under the Alloya domain, its wholly owned CUSOs, or any other domain name registered and owned by Alloya or its subsidiaries. This statement also discusses why the information is collected and how it is used. It explains user options for accessing and managing information, our data security practices and other matters.
 - 2) Explains that the IP address and/or hostname and domain name of the computer or network used is logged in site logs, firewall logs, and/or network- and host-based intrusion detection systems. This is done as an audit requirement of the National Credit Union Administration. Alloya may automatically collect information about visitors' computer configurations. This may include browser type, version, and operating system. This information is not disclosed to any party outside of Alloya without prior non-disclosure agreements in place and is kept highly confidential.
 - 3) Provides notice that if a feature is used that requires an individual to explicitly submit information (such as an information request or our guest book), we may collect a visitor's name, email address, telephone and fax numbers, and mailing address, should the visitor choose to provide us with this information. In addition, we collect information about the services a visitor is interested in, such as electronic payment services, investment services and credit services. This is necessary to process and deliver the information requested. We retain this information to serve visitors and other members better and to provide the best information possible regarding services visitors may be interested in. If visitors experience problems or have a question, we may refer to the information request to help resolve it.

XV. SHARES

A. OBJECTIVE:

- 1. The purpose of this Policy is to define the terms and conditions under which Alloya will offer and manage share accounts.

B. RESPONSIBILITY:

- 1. The Chief Investment Officer (CIO) is responsible for managing this Policy and managing Alloya's share accounts.

C. PARAMETERS:

- 1. Member Share Account Types – Alloya will offer the following investment options to member credit unions:
 - a. Overnight share accounts that provide members with competitive alternatives that deliver liquidity access and convenience for settlement.
 - b. Share Certificates – This is a term investment that pays a dividend based on the terms of the individual certificate.
 - 1) Rates – Rates paid are subject to market conditions and the amount involved.
 - 2) Early Certificate Redemption – No partial redemptions are allowed. Early redemption of Alloya's certificates that are not in redeemable form is at the sole discretion of Alloya's management. Early redemptions, if given, will be in accordance with the following:
 - a) The redemption value of certificates issued by Alloya will be calculated by discounting the certificates' remaining cash flows at the replacement cost of funds for a similar term certificate. The Alloya certificate or Treasury security with a maturity date and terms closest to the remaining maturity date and terms of the certificate to be redeemed will be considered of "similar term."
 - b) Discounting will be done on an industry-recognized standard such as the Bloomberg system or other system chosen by Alloya's management.
 - c) Certificates with embedded options (such as ACPs and Step-Up Certificates) will be valued for early redemption using appropriate industry-recognized valuation systems chosen by Alloya's management.
 - c. Notice Accounts (30- and 90-day) – These accounts have a dividend declared daily and posted monthly. To withdraw funds, a credit union must give appropriate notice. The notice accounts are designed to take advantage of a falling or flat yield curve environment.
 - d. Perpetual Membership Capital Shares (PCC) – Please see preceding PCC Policy
- 2. Share Certificate Participants– Certificates of Indebtedness may be offered to organizations other than credit unions.

SECTION 3 – GUIDELINES

I. ALM OPERATING

A. OBJECTIVE:

1. This Guideline provides broad parameters for all risks associated with the management of Alloya’s balance sheet. It is used in conjunction with the Board policies that relate to risk management of Alloya’s assets and liabilities. The objectives are to:
 - a. Ensure responsible asset liability management;
 - b. Provide flexibility and responsible action through the delegation of responsibility and authority to senior management;
 - c. Identify the effects of all risks on the balance sheet;
 - d. Acknowledge the need to manage rate sensitive assets and rate sensitive liabilities to ensure a fair-market value that remains stable during changes in interest rates;
 - e. Provide adequate review, control and oversight;
 - f. Provide parameters that ensure separation of duties between the risk taking and risk measurement function.
2. These objectives are interrelated and are to be managed and dependent on components of Alloya’s overall risk management objectives.

B. RESPONSIBILITY:

1. The CIO is responsible for overseeing the implementation and monitoring operations of the ALM function. Generally the CIO is responsible for “risk taking” functions as well as related operation and management activities. In addition, the Chief Investment Officer (CIO) is responsible for:
 - a. Operations and management of the investment portfolio
 - b. Operations and management of Alloya’s capital and liability programs.
2. The Vice President, Lending is responsible for the operations and management of the lending function.
3. The Chief Risk Officer (CRO) is responsible for monitoring, measuring and reporting on corporate positions and risk attributes and measures. The CRO is responsible for the operation and management of:
 - a. The credit approval, monitoring and reporting activities for investments and derivative instruments (subject to NCUA approval of Alloya’s Level III Expanded Investment Authority Application),
 - b. The measurement and appropriate reporting of Alloya’s market, credit and other risks/positions as appropriate risk and
 - c. The tracking, monitoring and reporting of Alloya’s liquidity position.

C. PARAMETERS:

1. Investment
 - a. Investment Strategies
 - 1) Alloya will manage its investment portfolios by developing a written investment strategy for each book of business. As the markets are subject to change at any time, when deemed necessary, these strategies will be modified and presented in the form of an ALCO reporting item by the CIO. Material changes will be modeled prior to execution. The recommended strategy must fall within the targeted risk levels, as measured by NEV and NII, in order to be implemented. The report, along with the modeling results, will be presented to the ALCO.
 - 2) On a monthly basis, the expected and actual performance of the portfolios shall be reviewed at the ALCO meeting. Investment transactions will be reported monthly and show, at a minimum, par value, book value, net proceeds, and realized gain/loss.
 - b. Safekeeping
 - 1) All investments will be held in safekeeping independently of a securities broker or dealer.
 - 2) Unless pledged as collateral, all investments are held in safekeeping at U.S. Central or other provider.
 - 3) All investments held in safekeeping will be evidenced by a safekeeping receipt or similar form of notification from the safekeeping institution.
 - 4) Safekeeping statements will be reconciled monthly by individuals independent of the Investments Department.
 - 5) Under certain circumstances, Alloya may accept or deliver “free” securities. This is outlined in the safekeeping procedures maintained by the Product Support Department.
2. Lending
 - a. Lending Strategies
 - 1) Alloya will manage its lending portfolios by developing a written lending strategy. As the markets are subject to change at any time, when deemed necessary, this strategy will be modified and presented to the Credit Committee by the Vice President, Lending. Material changes will be modeled prior to execution. The recommended strategy must fall within the targeted risk levels, as measured by NEV, in order to be implemented. The report, along with the modeling results, will be presented to the Credit Committee.

- 2) On a monthly basis, the expected and the actual performance of the lending book of business shall be reviewed at the ALCO meeting.
- b. Central Liquidity Facility (CLF) – The CLF is a mixed-ownership government corporation under the Government Control Act that exists within the National Credit Union Administration (NCUA) and is managed by the NCUA Board. The CLF provides a source of credit to credit unions when funds are not available from traditional sources. U.S. Central invests in CLF stock on behalf of its members, including Alloya. This arrangement allows Alloya to secure funds from the CLF and pass them through to a credit union that is experiencing liquidity problems, but may not qualify for a loan from the corporate. CLF borrowings are excluded from the total borrowing limit per NCUA Regulation 704.
3. New Products and Businesses
 - a. Prior to the execution of any strategy that results in the assumption of risks arising from a new product line or business impacting Alloya’s market and credit risks, a thorough analysis demonstrating Alloya’s ability to accurately model all salient risks of said business or product shall be successfully performed and presented to the ALCO.
4. Compliance
 - a. If Alloya maintains any positions it has the inability to accurately model and monitor, as established by the guideline limits in this section, the CRO will report the violation to the ALM Department, the ALCO, Supervisory Committee, and the Board at the next regularly scheduled meeting. The CRO will submit a plan of action to the ALCO within thirty (30) days of the initial notification of non-compliance. Any such violations will continue to be reported until they have been effectively remediated.

II. ACH

A. OBJECTIVE:

1. The objective of the ACH program is to provide value-added payments systems to members via the national Automated Clearing House.

B. RESPONSIBILITY:

1. The SVP, Member Relations is responsible for developing, implementing, monitoring and modifying operating procedures in the ACH function.

C. PARAMETERS:

1. There are various types of risks associated with electronic payments. In an effort to mitigate risk for both the corporate and its members, the following risk areas have been identified and controls have been implemented to mitigate the potential for loss:

Risk Area: CREDIT RISK	Managing Risk / Control
Member unable to settle ACH obligations	<ul style="list-style-type: none"> • Line of credit necessary for all settlement that are not pre-funded • Ability to return received items if finality of settlement does not occur • Credit analysis for all ACH origination users • Existing contractual obligations which limits liability
Risk Area: OPERATION RISK	Managing Risk / Control
Corporate processing error	<ul style="list-style-type: none"> • Written procedures in place and reviewed annually • Use of artificial intelligence to reduce manual intervention • Dual control enforced on all origination processing
Failure to comply with regulations	<ul style="list-style-type: none"> • Internal Auditor performs annual audit • OFAC filtering • Annual BSA compliance training • Ongoing ACH training • AAP accreditations
System Failure	<ul style="list-style-type: none"> • Business continuity procedures in place • Greater capacity back-up generator installed • Redundant vendor backup site

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Risk Area: FRAUD RISK	Managing Risk / Control
Internal Alloya employees attempting to embezzle funds	<ul style="list-style-type: none"> • Access to EFT room restricted by security system • Controls and balances have been established for segregation of duties • Daily reconciliations are performed on all applications by non-Electronic Services staff • Background checks performed on new and existing ES personnel annually • Internal audit performed annually or more frequently as situation dictates • Dual control enforced on all origination processing
External individual gaining unauthorized access	
Member employee processing error or attempting to embezzle funds	
	<ul style="list-style-type: none"> • Unique passwords and multi-factor authentication for all systems • System session time out set at 10 minutes • Required password reset every 30 days • User transaction limits enforced • Security administrator duties assigned to non-ES staff • Semi-annual review of system access authorities • Bond Coverage
	<ul style="list-style-type: none"> • Unique passwords and multi-factor authentication for all systems • Dual control enforced on all origination processing • System session time out set at 10 minutes • Required password reset every 30 days • Optional user transaction limits available and encouraged • Daily monitoring of ACH origination and established exposure limits • Quarterly risk review of member security settings and exposure limits
Risk Area: SYSTEMIC RISK	Managing Risk / Control
Credit Union Relationship	<ul style="list-style-type: none"> • Due diligence is performed on all relationships • Line of credit necessary for credit unions to use services • Service contracts with Alloya in place for credit unions • ACH Operator will assist with settlement recast
ACH Operator Relationship	
Risk Area: THIRD-PARTY RISK	Managing Risk / Control
Credit Unions Data Processors	<ul style="list-style-type: none"> • Contractual agreements with credit unions limit liability
Vendors	
	<ul style="list-style-type: none"> • Contracts are established • Contracts reviewed by legal counsel • Due diligence is performed • Annual vendor review

III. ALCO SUBCOMMITTEE

A. OBJECTIVE:

1. The objective of this Guideline is to delineate the responsibilities of the current ALCO subcommittee. This subcommittee is currently known as the Management Asset-Liability Committee (MALCO). The MALCO will review in detail results of operations and strategies related to Alloya Asset/Liability and Risk Management activities on at least a monthly basis.

B. RESPONSIBILITY:

1. The responsibilities for overseeing the implementation and monitoring of the ALM function are delineated in the ALM Oversight Policy and the ALM Operating Guideline.
2. The CRO is responsible for reviewing and updating this Guideline.

C. PARAMETERS:

1. Composition – The MALCO shall have the following membership and representation:

- a. CEO
 - b. CIO
 - c. CRO
 - d. CFO
 - e. SVP, Strategy, Product & Risk Management
 - f. VP, ALM
 - g. VP, Market Risk Management
 - h. VP, Controller
 - i. VP, Lending
 - j. Staff invited as necessary
2. Responsibilities – The MALCO shall fulfill the following roles:
 - a. Strategy - Review financial products strategies to meet Alloya’s financial goals for NII within established market, liquidity and credit risk tolerances.
 - b. Planning - Review, at least annually, financial product plans to achieve NII targets within established risk tolerances.
 - c. Staffing - Reviews hiring, training and retention of qualified staff commensurate with the complexity of instruments and risks in which Alloya invests.
 - d. Leadership - Provides necessary leadership to ensure achievement of financial goals within established policy.
 - e. Budget - Monitors corporate performance against budget on a monthly basis.
 - f. Communication - Minutes are provided to the Board ALCO monthly. Minutes, reports and an agenda are provided to the MALCO monthly.
 3. Reports – Shall include, but not be limited to:
 - a. Same reports as ALCO at Book of Business level (as available)
 - b. Detailed Strategies for each book
 - c. Budget variance by book for volumes and NIM
 - d. Review of risk levels (NEV, NII, NI)
 - e. Alternative rate shock scenarios
 - f. Review of model assumptions
 - g. Management forecasts of NII and NI using alternate assumptions
 4. Meeting Frequency – The MALCO shall meet monthly in person or by teleconference.

IV. BUDGET/EXPENSE AUTHORIZATION

A. OBJECTIVE:

1. To establish parameters for the development, implementation, monitoring and modification of the annual operating budget.

B. RESPONSIBILITY:

1. The Chief Financial Officer (CFO) is responsible for developing, implementing, monitoring and modifying the annual operating budget

C. PARAMETERS:

1. Budget Overview
 - a. Alloya will prepare a Financial Plan that reflects projected results for the upcoming year.
 - b. The plan will be presented to the Board no later than the December meeting.
 - c. The plan will at minimum address the following items:
 - 1) Net Interest Income;
 - 2) Non-Interest Income;
 - 3) Operating Expenses;
 - 4) Capital Expenditures (if over \$2 million in aggregate);
 - 5) Growth Rates;
 - 6) Capital Accumulation;
 - 7) The budget may be amended during the year by approval of the Board;
 - 8) Significant assumptions that drive the budget outcome will be documented.
2. Budget Reporting
 - a. Alloya will report performance against budget at least quarterly to the ALCO and Board.
 - b. Alloya will prepare a written analysis of budget variances on at least a quarterly basis. Variances will be documented when summary income statement line items exceed budget by \$100,000 for the applicable reporting period.
3. Budget Expense Authorization
 - a. The budget acts as an approval for the items it contains. In approving the budget, the Board has authorized management to expend the funds as noted.
4. Expenses
 - a. Staff expense reports will be approved by the employee’s immediate supervisor or a member of management in that reporting chain.

- b. The CEO's expense report will be approved by a member of the Board.
- c. To ensure compliance with Operating Guidelines, a random sample of employee expense reports will be audited at least every three years.
- d. The Board of Directors will approve an annual operating budget for Alloya. Upon approval, designated personnel may authorize purchases and secure services up to his/her invoice approval limits. To monitor actual compliance, Accounting will prepare internal financial statements by the 6th business day of each month for each responsibility center. It is then the responsibility of the manager to ensure that actual expenditures are within the limits established with the budget approved by the Board of Directors. Accounting will report any Alloya line item budget variances in excess of \$100,000 to the Board of Directors on a monthly basis.
- e. Individual invoices must be approved prior to being submitted to Accounting for payment. Authorized check signers may not sign a check or ACH file for an invoice which they have approved. The maximum invoice approval limits are as follows:
 - 1) \$2 million budgeted and \$100,000 unbudgeted or write-off limit for the CEO
 - 2) \$500,000 budgeted and \$100,000 unbudgeted or write-off limit for the CFO
 - 3) All capital fixed asset purchases or capital leases over \$100,000 require Board approval.
- f. The CFO is authorized to delegate signing authority for budgeted and unbudgeted/write-off expenses to other personnel based upon management level and responsibility (but never exceeding the limits established by this Policy for the CFO). A list of individuals with their signing authority will be maintained in the Accounting Department and be used to verify against signed invoices prior to payment.
- g. The CFO shall ensure monthly financial statements are provided to the membership each month.

V. BUSINESS CONTINUITY

A. OBJECTIVE:

- 1. The objective of the Business Continuity Guideline is to document the purposes, scope, processes and responsibilities related to business continuity and disaster recovery for Alloya.
- 2. Business Continuity Objectives – The purposes of business continuity and disaster recovery are:
 - a. Provide for the safety of employees, members and others affected;
 - b. Mitigate disruption of critical business services and operations to acceptable levels;
 - c. Protect members' assets and minimize financial loss;
 - d. Resume normal operations in a reasonable period of time;

B. RESPONSIBILITY

- 1. The Chief Financial Officer (CFO) has oversight responsibility for developing, implementing, monitoring and modifying operating procedures in the Business Continuity/Disaster Recovery function.
- 2. Business Continuity Governance Responsibilities – Responsibility for the Guideline and the Plan is assigned to the following governing bodies:
 - a. Board of Directors
 - 1) Approve Guideline and Plan on an annual basis.
 - 2) Review and acknowledge the results of testing critical business services.
 - b. Management Committee
 - 1) Allocate sufficient staff and resources to design, develop, implement, test and maintain the Plan.
 - 2) Implement and enforce the Guideline.
 - c. Business Contingency Executive Management Team (BCEMT)
 - 1) Manage and support an effective and appropriate contingency management program that meets the business continuity and disaster recovery requirements of Alloya.
 - 2) Ensure the contingency management program is aligned with Alloya's strategic business plans.
 - 3) Review the results of component tests and disaster recovery tests of the Plan.
 - 4) Evaluate the effectiveness of employee training as it relates to disaster recovery tests and emergency response procedures.

C. PARAMETERS

- 1. Business Continuity Scope – The scope of the Guideline applies to all critical business services and operations at all locations. Although Alloya's Business Continuity Plan (Plan) is designed to address a "worst-case" scenario, it must be flexible enough to be suitable for less severe incidents.
- 2. Business Continuity Processes – A comprehensive contingency management program shall be developed and maintained using the following processes:
 - a. Business Impact Analysis
 - 1) Identify and assess the potential impact of disasters affecting Alloya's critical business services and operations.
 - 2) Establish Alloya's recovery time objectives and recovery point objectives for critical business services and operations.
 - b. Risk Assessment

- 1) Prioritize threats based on their probability of occurrence and severity in terms of a potential business disruption.
 - 2) Assess threats based on direct impact to the business and its stakeholders.
 - 3) Evaluate resource requirements necessary to mitigate risk and achieve defined business continuity and disaster recovery objectives.
- c. Risk Management
- 1) Design, develop, implement, test and maintain a Plan that is effective in meeting objectives of the Guideline.
 - 2) Document, train and test actions to be performed during the initial response to a disaster.
 - 3) Specify actions to take under various conditions based on the severity and duration of impact to critical business services and operations.
 - 4) Develop a Plan that facilitates a response to unforeseen threats and changing internal or external conditions.
 - 5) Integrate business continuity and disaster recovery practices into all appropriate areas supporting critical business services and operations.
 - 6) Establish a contingency management committee which has representation from critical business services and operations to provide guidance and oversight to the contingency management program.
- d. Risk Monitoring
- 1) Perform disaster recovery testing of all critical business services and operations at least annually.
 - 2) Report test results and state of readiness to the Business Continuity Executive Management Team on a quarterly basis and to the Board of Directors on an annual basis.
 - 3) Schedule other types of tests as appropriate (e.g., walk-through, tabletop and functional) to validate that selected components of the Plan meet objectives of the Guideline.
 - 4) Conduct drills of emergency procedures to promote employee awareness and measure the effectiveness of the Plan's emergency response procedures.
 - 5) Update the Plan based on test results, major changes to the environment and/or regulations in a timely manner.
 - 6) Update the Plan for new or modified critical business services and operations within a reasonable time period after implementation unless granted a temporary extension by the Business Continuity Executive Management Team.
 - 7) Take action to remediate other significant issues in a timely manner.
 - 8) Subject the Business Impact Analysis, Risk Assessment, Risk Management and Risk Monitoring processes to review by independent parties.

VI. CONTRACTS/VENDOR MANAGEMENT

A. OBJECTIVE:

1. Alloya, in the normal course of business, enters into contractual relationships with third-party vendors.
2. This Guideline outlines the process of assessing the need for, the selection and due diligence of and the ongoing monitoring of third-party vendors.

B. RESPONSIBILITY:

1. The SVP, Strategy, Product & Risk Management is responsible for developing, implementing, monitoring and modifying operating procedures with the contract/vendor management function.

C. PARAMETERS:

1. Member Contracts
 - a. The following positions are authorized to approve and execute contracts and/or agreements with Alloya's members:

Title
Chief Executive Officer
Chief Financial Officer
SVP, Member Relations
VP, Member Relations, Midwest Region
SVP, Strategy, Product & Risk Management

- b. Member contracts that do not contain any alterations from the current standards may be executed by the persons noted above without review of General Counsel.
 - c. Any changes to standard Member contracts must be reviewed by General Counsel prior to execution.
 - d. All member contracts, agreements, documents, and like instruments are entrusted to the Office of the CEO and will be kept in a manner conducive to quick and easy retrieval, while maintaining the safety and security of the documents.
 2. Vendor Contracts
 - a. The following positions are authorized to approve and execute contracts and/or agreements with third-party vendors for Alloya.

Title
Chief Executive Officer
Chief Financial Officer
SVP, Member Relations
SVP, Strategy, Product & Risk Management
VP, Chief Risk Officer
VP, Marketing
VP, Investments

- b. All vendor contracts must be solicited following the Vendor Management Program (VMP) program.
 - c. All outside vendor contracts and/or agreements will be forwarded to the contract administration function to ensure compliance with the VMP program.
 - d. The contract administration function will forward all contracts to General Counsel for review prior to executing the contract and/or agreement.
 - e. Non-Public Information (NPI) - Wherever applicable, Alloya contracts with third party vendors shall;
 - 1) Have a security program designed to ensure the security and confidentiality of member information, protect against any anticipated threats or hazards to the security or integrity of such information and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to members.
 - 2) The contract shall include language for service providers to take appropriate actions to address incidents of unauthorized access to or use of the credit union's member information, or other NPI.
 - 3) The contract language shall require the vendor to notify the corporate as soon as possible of any incident or security breach and those steps the vendor will take to remedy the breach. This language shall apply to vendor sub-servicers as applicable.
 - 4) Third party vendors must have appropriate processes in place to properly dispose of member and consumer information. This language shall apply to vendor sub-servicers as applicable.
 - f. The CEO or the CFO are the only positions authorized to execute contracts for the sale or lease of company property in which a lien or encumbrance being placed against the property of Alloya would result.
 - g. The termination of all contracts and/or agreements prior to their stated term must be supported by appropriate documentation, and documentation must be filed.
 - h. Business owners shall be responsible for negotiating contracts that meets business objectives and legal requirements in conjunction with General Counsel.
 - i. All agreements, documents, and instruments are entrusted to the Office of the CEO and will be kept in a manner conducive to quick and easy retrieval, while maintaining the safety and security of the document.
3. Vendor Management – Management shall establish and maintain a Vendor Management Program (VMP) consistent with industry standards and regulatory guidance. The parameters of this program shall include:
- a. Define Business Objectives – Business objectives shall be identified and documented. The business objectives should identify: an opportunity that exists; a concept that will satisfy or achieve the opportunity and consequences to the organization for not pursuing the concept.
 - b. Perform a Risk Analysis – A risk assessment shall be completed for all vendors engaged to support critical business processes. A risk rating shall be assigned to vendors as described in the Vendor Management Guidelines and Procedures.
 - c. Vendor Selection Process – Business owners will identify potential vendors with the relevant skills, experience and knowledge.
 - d. Pre-Qualification of Vendors – Vendors shall be qualified at various times during the procurement process. Pre-qualification can include, but is not limited to:
 - 1) Credit Review
 - 2) Internal Audit Review
 - 3) Information Systems Review
 - 4) Other review as determined by the Contract Administrator and/or the business owner as described in the Vendor Management Program Reference Guide.
 - e. Develop an RFP – An RFP shall be used when both the business objectives and business needs are clearly defined. An RFP shall include the statement of work plus a subset of the defined requirements as determined in selection criteria and scope. Alloya shall ensure that all terms are carefully and explicitly defined and reviewed with the vendors to ensure accurate understanding of the terminology. Responses are received in a set format required by Alloya.
 - f. Vendor Pre-Award Due Diligence – Alloya will perform additional due diligence for the vendors chosen for advancement.
 - g. Capability Assessment – Alloya shall complete an assessment of the vendor's technical, industry and process expertise and history as it applies to the engagement.

VII. DATA DESTRUCTION

- A. OBJECTIVE:**
1. This Guideline outlines the manner in which all sensitive Alloya and member credit union information not in use or required for data retention purposes will be destroyed in accordance with regulatory guidelines and best practices. Credit Union information can include financial information, transactions, employee information, vendor contracts, trade secrets, or e-mails.
- B. RESPONSIBILITY:**
1. The SVP, Strategy, Product & Risk Management is responsible for developing, implementing, monitoring and modifying guidelines for data destruction.
- C. PARAMETERS:**
1. Paper records – The security provided by the shredding of records depends on how fine the paper is shredded. Cross shredding is Alloya’s standard method for destruction of sensitive documents. Cross shredding may be achieved by the use of cross shredding devices or disposing of sensitive documents in vendor provided containers located at all offices.
 2. Magnetic Media – Records stored on magnetic media (tapes) shall be shredded or otherwise destroyed by a qualified vendor providing certificates of destruction. This includes any backup copies of the records. Alloya has contracted with qualified vendors providing certificates of destruction.
 3. Optical Media – Records held on optical media can be destroyed by cutting, crushing, or other physical means of destruction. Rewritable optical disks should also be reformatted before being disposed of or re-used. For magnetic or optical media that needs to be destroyed on a routine basis, such as CD's or small DVD's, a desktop CD/DVD shredder/destroyer may be used. Alloya has also contracted with a qualified vendor providing certificates of destruction.
 4. Computer Hard Drives – Hard drives of personal computers and servers should be reformatted before computers are disposed. Alloya uses a software application that is D.O.D. 5220.22-M compliant, which uses multiple overwrites with random characters. Reformatted hard drives are to be sent to a qualified compliant vendor where they will be disposed of in an environmentally safe manner. Information Systems will be responsible for ensuring that all applicable hard drives are appropriately reformatted and disposed.

VIII. FUNDS TRANSFER

- A. OBJECTIVE:**
1. The objective of this Guideline is to ensure that Alloya provides efficient, effective funds transfer products to its membership.
- B. RESPONSIBILITY:**
1. The SVP, Member Relations, is responsible for developing, implementing, monitoring and modifying operating procedures in the funds transfer function.
- C. PARAMETERS:**
1. There are various types of risks that Alloya faces within its servicing environment. The following risks are identified and the listed controls are regularly implemented to mitigate their occurrence:

Risk Area: CREDIT RISK	Managing Risk / Controls
Disbursing credit union unable to fund transfer	<ul style="list-style-type: none"> • Funds for domestic wire transfers are removed from credit union account prior to transfer being sent • Ability to recall all transfers during same day and potentially recover funds • Low transfer limit for Western Union transactions • Line of credit required for members using Western Union and International wire products
Risk Area: OPERATIONAL RISK	Managing Risk / Controls
Internal error during processing Failure to comply with regulations System Failure	<ul style="list-style-type: none"> • Written procedures in place and reviewed annually • Use of artificial intelligence to reduce manual intervention • Internal Audit performed annually • BCP procedure in place as well as a greater capacity backup generator installed • Bond Coverage • OFAC Filtering software in place • Bank Secrecy procedures in place
Risk Area: FRAUD RISK	Managing Risk / Controls

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Internal Alloya employees attempting to embezzle funds External individual gaining unauthorized access	<ul style="list-style-type: none"> • Controls and balances have been established for segregation of job duties • Daily reconciliation performed on all applications by non-ES staff • Random call backs performed on domestic wires initiated through member service department • PIN system in place for member remote access • Internal audit performed annually • Access to EFT room restricted by security system • Unique passwords for all systems • Bond Coverage • Fedline security administrator duties assigned to non-ES staff • Callbacks performed on large dollar wire requests initiated through member service department • Background checks performed on new and existing ES personnel
Risk Area: SYSTEMIC RISK	Managing Risk / Controls
Credit Union Relationship Federal Reserve Bank U.S. Central Relationship	<ul style="list-style-type: none"> • Due diligence is performed on all relationships • Service contracts with Alloya in place for credit unions • Federal Reserve/U.S. Central will assist with settlement recast and items are returned if possible
Risk Area: THIRD-PARTY RISK	Managing Risk / Controls
Vendors	<ul style="list-style-type: none"> • Due diligence is performed • Contracts are established • Contracts reviewed by legal counsel • Western Union will assist with settlement recast and funds are returned if possible

IX. HUMAN RESOURCES

A. OBJECTIVE:

1. The objective of this Guideline is to ensure that Alloya has an effective Human Resources process such that Alloya hires, rewards and retains an excellent staff.

B. RESPONSIBILITY:

1. The Vice President, Human Resources is responsible for the review, implementation and maintenance of this Guideline.

C. PARAMETERS:

1. Human Resource Philosophy
 - a. Alloya intends to provide a career opportunity for our employees that is financially rewarding; however, making the most of that opportunity is largely dependent on each employee's contribution to our success.
 - b. Alloya believes in providing excellent compensation opportunity and in return expects commensurate individual and business performance.
 - c. Alloya rewards our employees based on internal equity considerations and market conditions, at all times recognizing that the purpose of our organization is to provide financial services and support to our member institutions.
 - d. The compensation program is intended to be responsive to the changing needs of our organization and marketplace, always considering what is economically feasible and beneficial for our organization and the members we serve. While it is important to provide fair and competitive compensation, employees are not motivated primarily by money alone. There are other, more significant factors accounting for the loyalty and motivation of our employees. These include the mission, quality, and reputation of the organization, and satisfaction that is derived from working in a highly ethical, professional, and caring environment.
 - e. We recognize that these and other benefits are not a substitute for financial compensation, but they are, and should remain, important in comparing compensation levels.
2. Compensation Authority – The Board delegates its full authority for hiring, developing, paying, motivating and terminating employees to the CEO. This includes the structure of the organization, the positions defined, promotions, demotions, etc. The CEO may delegate this authority, as necessary.
3. Compensation Philosophy – Alloya will develop a compensation plan that includes salary ranges for base, incentive and bonus pay. The following will be considered:
 - a. The marketplace and external data are primarily based on commercially published survey information for national, and/or local credit unions, banks, financial institutions, and other businesses (as appropriate) with comparable organizational structure and size.

- b. Base salary levels and salary ranges are assessed on an annual basis to reflect movement in the marketplace and changes in our business and economic conditions.
- c. Individual performance is measured based on performance outcomes against stated objectives/expectations and each individual's contribution to the organization. In return, we reward strong performance through competitive annual cash incentives.
- d. A detailed review of the total cash compensation program is performed every three (3) years. This comprehensive evaluation is conducted to determine if the program is effective, efficient, and appropriate for our organization at a given time and in a given context. This evaluation is designed to accomplish the following goals:
 - 1) Determine if the compensation program is meeting the objectives established by ELT and the Executive Committee;
 - 2) Establish that the program is being administered according to stated employee policies and procedures;
 - 3) Reduce the risk of challenge to the program from employees and third party organizations;
 - 4) Improve understanding of the roles and responsibilities of all parties relative to program administration;
 - 5) Improve internal communications and understanding of the program;
 - 6) Provide information for future program enhancements or modifications.
- e. This philosophy will enable us to achieve the following:
 - 1) Maintain fair, consistent, and equitable pay practices in alignment with our core business values and mission;
 - 2) Attract, retain, and motivate employees with the skills, abilities, and motivation required to achieve our objectives;
 - 3) Provide competitive total cash compensation opportunities directly linked to individual and organizational performance outcomes;
 - 4) Focus employees on those activities that positively impact the level of service we provide to our members.
- 4. Human Resources Compliance – Alloya will comply with all pertinent labor laws in each state in which it operates. Alloya is an equal employment opportunity employer and does not make employment decisions based upon race, religion, sex, national origin, age, marital status, known physical or mental disabilities or membership in the uniformed services.
- 5. Employee Practices – Alloya will develop and annually review the Employee Handbook. This document lists Alloya's various practices related to expected employee behavior, attendance, benefits, etc.

X. INFORMATION SYSTEMS

A. OBJECTIVE:

- 1. Alloya provides an Information Systems function in the delivery of products and services. The Information Systems function directly interfaces with credit unions in Alloya's field of membership in the areas of:
 - a. Item Processing;
 - b. Automated Settlement;
 - c. Automated Returns;
 - d. Statement Production;
 - e. Automated Reconciliation;
 - f. Billing;
 - g. Cash Management Services;
 - h. Electronic Commerce.
- 2. The Information Systems Department includes internal programming and operations staff, as well as external vendors to maintain the computing facilities. The definition of Alloya's computing facilities includes any computer, server or network provided, owned, or supported by Alloya.

B. RESPONSIBILITY:

- 1. The Vice President of Information Systems is responsible for developing, implementing, monitoring and modifying operating procedures in the Information Systems function.

C. PARAMETERS:

- 1. There are various types of risks that Alloya faces within its servicing environment. The following risks are identified and the listed controls are regularly implemented to mitigate their occurrence:

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OPERATIONAL RISK	MANAGING RISK / CONTROL
Internal Alloya functions	<ul style="list-style-type: none"> • Establish operational procedures • Testing of system or programming changes before implementation • System and programming documentation standards • Supervisory review of processing exceptions • Written disaster recovery procedures and periodic testing • Fire suppression system in computer room • Privacy and Information Protection Policy • Annual review by internal audit department • Bond coverage
FRAUD RISK	MANAGING RISK / CONTROL
Internal Alloya employees attempting fraud	<ul style="list-style-type: none"> • Access controlled by user ID and password • Corporate Security Guideline
External individuals gaining unauthorized system access	<ul style="list-style-type: none"> • Access documented and reviewed at least annually by department heads • Review of access attempts and security violations • Programming staff restricted from live programs and data • Access to computer room restricted by security system • Bond coverage • Firewalls • Intrusion Testing
THIRD PARTY RISK	MANAGING RISK / CONTROL
Vendors/Consumer Privacy	<ul style="list-style-type: none"> • Software contracts established • Maintenance contracts established • Non-disclosure agreements established • Vendor guidelines established • Credit Review • Counsel review of all contracts

XI. ITEM PROCESSING

A. OBJECTIVE:

1. The objective of this Guideline is to ensure that Alloya provides value-added item processing services.

B. RESPONSIBILITY:

1. The SVP, Member Relations is responsible for developing, implementing, monitoring and modifying operating procedures in the item processing function.

C. PARAMETERS:

1. There are various types of risks that Alloya faces within its servicing environment. The following risks are identified and the listed controls are regularly implemented to mitigate their occurrence:

Risk Area: CREDIT RISK	Managing Risk / Controls
Disbursing credit union unable to settle check obligations or debit settlement	<ul style="list-style-type: none"> • Line of credit is necessary for all settlements that are not pre-funded • Ability to return items if finality of settlement does not occur • Existing contractual obligations which limits liability
Risk Area: OPERATIONAL RISK	Managing Risk / Controls
Internal error during processing Failure to comply with regulations	<ul style="list-style-type: none"> • Written procedures in place and reviewed annually • Use of artificial intelligence to reduce manual intervention • Internal audit performed annually • Disaster recovery procedure in place • Bond Coverage • Daily reconciliation performed on all applications by Cash Managers and IP Personnel

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Risk Area: FRAUD RISK	Managing Risk / Controls
Internal Alloya Employees attempting to embezzle funds External individual gaining unauthorized access	<ul style="list-style-type: none"> • Controls and balances have been established for segregation of job duties • System access controlled by “user id” and password • Daily reconciliation performed on all applications • External audit performed from time to time. • Internal audit performed annually or more frequently as situation dictates • Bond Coverage • Access to sorter room restricted by security system
Risk Area: SYSTEMIC RISK	Managing Risk / Controls
Clearing House Relationship Correspondent Relationship	<ul style="list-style-type: none"> • Under Clearing House relationships the settlement is recast and items are returned • Due diligence is performed on all relationships • On-going credit analysis is performed for all correspondents
Risk Area: THIRD-PARTY RISK	Managing Risk / Controls
Vendors	<ul style="list-style-type: none"> • Due diligence is performed • Contracts are established • Contracts reviewed by legal counsel

XII. MARKET RISK MEASUREMENT

A. OBJECTIVE:

1. Alloya’s asset , liability and derivative (subject to NCUA approval of Alloya’s Level III Expanded Investment Authority Application) portfolios are managed, in part, through the establishment of market risk benchmarks. These benchmarks assist management in establishing investment and funding strategies that reflect the desired risk profile identified through the benchmarks. Alloya’s members’ needs are changing and this document will address the need to manage market risk through an ever-changing portfolio. Therefore, Alloya’s strategies consistently and effectively ensure prudent risk management. A summary of our purpose follows:
 - a. Alloya will maintain financial positions that will optimize its Net Interest Income, while managing a prudent level of market risk.
 - b. In general, the value and yield of amortizing securities and securities with embedded options are relatively sensitive to interest rate movements. The strategy, volume and characteristics of these holdings will conform to and support Alloya’s overall market risk management strategy.

B. RESPONSIBILITY:

1. The Chief Risk Officer (CRO) is responsible for the operation and measurement of Alloya’s market risk. The day-to-day operational responsibilities may be delegated at the direction of the CRO.

C. PARAMETERS:

1. Market Risk Management
 - a. The separation of duties shall be distinct between the risk taking function and the risk monitoring function.
 - b. Alloya will perform the required analysis on a monthly basis. The reports will be reviewed by Alloya management and ALCO.
2. Market Risk Identification, Measuring and Reporting
 - a. Alloya seeks to control market risk by measuring its effects and establishing operating limits on Net Interest Income (NII) and Net Income (NI) in both current market conditions and in various interest rate scenarios.
 - b. Monthly, the Market Risk Management Department will simulate changes in NII and NI based on standardized yield curve shifts. The CRO will report the results of these simulations to the ALCO.
 - c. These shifts will consist of the following parallel and instantaneous yield curve shifts:
 - 1) -300 basis points.
 - 2) -200 basis points.
 - 3) -100 basis points.
 - 4) No change or Base Case.
 - 5) +100 basis points.
 - 6) +200 basis points.
 - 7) +300 basis points.
 - d. Additionally, the following “ramped” yield curve shifts over a twelve month horizon shall be performed and measured:
 - 1) -300 basis points.
 - 2) -200 basis points.
 - 3) -100 basis points.

- 4) No change or Base Case.
- 5) +100 basis points.
- 6) +200 basis points.
- 7) +300 basis points.
3. Market Risk from Derivatives (subject to NCUA approval of Alloya's Level III Expanded Investment Authority Application)
 - a. Risk management staff will report the value of derivatives transactions daily to the ALM Department, the CRO, Credit Risk Management, and the CFO.
 - 1) Market Risk Management is responsible for modeling the impact of all cash and derivative transactions for reporting NII, and NI simulations to ALCO and Board.
 - 2) Simulations of NII and NI in the base case and in all interest rates scenarios will be based upon projected impacts of all cash and derivative instruments.
 - 3) Market Risk Management staff will include the impact of all derivatives transactions in its monthly simulation reports of NII, and NI to the ALCO and Board.
4. Simulation Assumptions
 - a. NII and NI simulation will be for the following 24 monthly calendar periods. Example: The September 2002 ALCO reports would have NII and NI simulation for October 2002 through September 2004.
 - b. At least annually, Market Risk Management will review key assumptions, including the modeling of indices that serve as references in financial instruments coupon formulas, used within the asset/liability model. The results of this analysis will be presented to the ALCO at its next regularly scheduled meeting.
 - c. Key assumptions will be updated on a monthly basis to reflect the changing environment. Growth assumptions will also be updated periodically to reflect the current trends.
5. Model Parameterization and Back-testing – Alloya shall maintain its interest rate risk models to ensure accuracy. The following parameterizations and back-testing shall be performed at least annually. Specific methods for performing each test shall be described in the Market Risk Management Procedure Manual.
 - a. Term Structure Model review – A review of all term structure models available in the modeling setup shall be reviewed. Strengths and weaknesses of each model shall be noted, as well the impact of additional tuning parameters specific to a particular mode (mean reversion factor, etc). The results of monthly modeling will be presented under different model setups and a recommendation will be made as to the selection of term structure models and related parameters going forward.
 - b. Monte Carlo Path Convergence review – A review of the number of paths run under Monte Carlo simulation shall be reviewed. Resulting changes to key measures from altering the number of paths will be reviewed and a recommendation will be made as to the selection of an appropriate number of paths to model going forward.
 - c. Prepayment Speed Back-Testing – A review of prior periods' prepayment estimates to actual remaining balances shall be performed. Based on the findings, prepayment speed assumptions may need adjustment. Once an appropriate adjustment algorithm has been developed, it shall be back-tested against the previously compiled pre-payment reports for fit. Once an appropriate level has been found, a recommendation will be made as to adoption of this prepayment modification going forward.
6. Simulation Reports – The NII and NI simulation reports will, at a minimum, detail NII and NI simulation results and simulation compliance with limits defined below.
 - a. NII Simulation Limits – NII simulation for the following twelve (12) months should not project a decrease of more than the following amounts:
 - 1) 50% for a projected interest rate change of 100 basis points.
 - 2) 60% for a projected interest rate change of 200 basis points.
 - 3) 70% for a projected interest rate change of 300 basis points.
 - 4) Rate increases above are parallel, instantaneous and permanent.
 - b. NI Simulation Limits – NI simulation for the following twelve (12) months should not project a decrease of more than:
 - 1) 70% for a projected interest rate change of 100 basis points.
 - 2) 80% for a projected interest rate change of 200 basis points.
 - 3) 90% for a projected interest rate change of 300 basis points.
 - 4) Rate increases above are parallel, instantaneous and permanent.
7. Limit Triggers – Management will provide the ALCO, at its next regularly scheduled meeting, a written analysis describing the cause and planned remedial activities if any of the following simulation limits are exceeded:
 - a. Net Interest Income
 - 1) Projected 12-month Net Interest Income decline from previous month of more than twenty percent (20%).
 - b. Net Income
 - 1) Projected 12-month Net Income value for any scenario is less than \$1,000,000.
 - 2) Projected 12-month Net Income decline from previous month of more than fifty percent (50%).
8. Model Validation

- a. Market Risk Management shall ensure that Alloya’s NII models are validated by an external source every other calendar year.
- 9. Market Risk Compliance
 - a. Guideline Compliance
 - 1) If income simulation results exceed any guideline limits established in this section, the CRO will report the violation to the ALM Department, the ALCO, Supervisory Committee, and the Board at the next regularly scheduled meeting. The CIO will submit a plan of action to the ALCO and Board of Directors within thirty (30) days of the initial notification of non-compliance.

XIII. SECURITY TRANSFER

A. OBJECTIVE:

- 1. Alloya provides full safekeeping and custodial service for credit unions. The settlement and safekeeping program is designed to settle and store securities safely and economically.
- 2. Transacting business daily under this program, Alloya must have safeguards in place for the transfer of securities. Alloya exercises reasonable care with respect to the purchasing and selling of securities, coupon and interest payments and any other property transferred to, or received by Alloya under the Security Safekeeping Agreement.

B. RESPONSIBILITY:

- 1. The Chief Investment Officer (CIO) is responsible for developing, implementing, monitoring and modifying operating procedures in the security transfer function.

C. PARAMETERS:

- 1. Potential risks and controls to manage risks associated with security transfers are outlined below:

Risk Area: CREDIT RISK	Managing Risk / Control
Disbursing credit union unable to fund security transactions	<ul style="list-style-type: none"> • Disbursing/Receiving institution must have sufficient collateral/funds • Securities transferred under agreement are specifically settled through delivery versus payment method
Risk Area: OPERATIONAL RISK	Managing Risk / Control
Internal error due to processing System Failure	<ul style="list-style-type: none"> • Established Operational Procedures manuals • BCP procedures in place • Delivery versus payment (DVP) used • Manager approval required on monthly reconciliation report
Free delivery outgoing with one individual aware	<ul style="list-style-type: none"> • Review/Release features in place for release of all securities. Call back procedure in place to a second authorized individual at credit union. Call back is made by one of two authorized individuals of review/release authority. Free delivery sale only. • Reconciliation is performed daily and monthly • Annual/Regular review by Internal Auditor • Annual Independent Audit by outside third-party auditor • Maintain appropriate Fidelity Bond Coverage
Risk Area: FRAUD RISK	Managing Risk/Control
Alloya's employees attempting to fund, securities Alloya's employees attempting to redirect funds for securities/investments to unauthorized locations	<ul style="list-style-type: none"> • Verification via data entry for security, U.S. Central confirmation of payment • Reconciliation is performed daily and monthly. Review/release procedure in place for all securities • No removal, commingling, assigning securities without approval from credit union • Specific wiring instructions needed • Delivery versus payment (DVP) method used • Fidelity Bond Coverage • Transaction phone lines recorded
External individual gaining unauthorized access	<ul style="list-style-type: none"> • For all security transfers, PIN is requested from authorized individual • Authorized individuals must be on Security Safekeeping Resolution • Reconciliation is performed daily on all securities in inventory from securities activity confirmations

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	<ul style="list-style-type: none"> • Annual review by Internal auditor • Annual Independent audit by outside third-party auditor • USC eProducts Passwords are required for access to USC online eProducts system • Maintain appropriate fidelity bond coverage • Transaction phone lines recorded
Risk Area: THIRD-PARTY RISK	Managing Risk/Control
U.S. Central Credit Union JP Morgan Chase	<ul style="list-style-type: none"> • Due diligence is performed • Agreements in place that are reviewed by legal counsel • On-going credit analysis is performed • Maintain appropriate fidelity bond coverage • SAS70 review of JP Morgan Chase is provided by U.S. Central and confirmation of receipt is performed by Internal Audit

XIV. SHARE DRAFT SETTLEMENT

A. OBJECTIVE:

1. The objective of this Guideline is to ensure that Alloya provides cost-effective, efficient share draft settlement for members.

B. RESPONSIBILITY:

1. The SVP, Member Relations is responsible for the maintenance, review and implementation of this Policy and the attendant settlement programs.

C. PARAMETERS:

1. Share Draft Settlement
 - a. Share draft settlement for members may be processed through the following organizations:
 - 1) U.S. Central Credit Union;
 - 2) Any Federal Reserve Bank;
 - 3) Any approved correspondent service provider.
 - b. Net Settlement may be processed through the following organizations:
 - 1) The Clearing House Association (SVPCO);
 - 2) Any Federal Reserve Bank;
 - 3) U.S. Central Credit Union;
 - 4) Any approved correspondent service provider.
 - c. Social Security Direct Deposits may be processed through the following organizations:
 - 1) Any Federal Reserve Bank;
 - 2) U.S. Central Credit Union;
 - 3) Any approved correspondent service provider.

XV. TRAVEL POLICY

A. OBJECTIVE:

1. The objective of this Guideline is to ensure that Alloya travel expenses are appropriately authorized and reported.

B. RESPONSIBILITY:

1. The Chief Financial Officer (CFO) is responsible for the maintenance, review and implementation of this Policy.

C. PARAMETERS:

1. This Policy applies to all staff
2. All travel will require pre-approval of any employee's direct supervisor and must be within budget.
3. Travel will be booked in accordance with the published travel procedures for staff.