


FARMER  AC

***Designing a
Built-In Compliance
Program***

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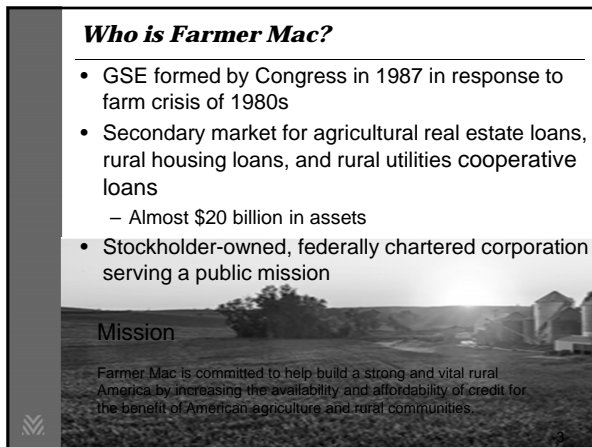
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Agenda

- Overview of Farmer Mac
- Compliance Program Evolution
- Built-in Compliance Program
 - Farmer Mac
 - Practical Tips
- Table Exercise
- Metrics to Show ROI
- Key Takeaways



Who is Farmer Mac?

- GSE formed by Congress in 1987 in response to farm crisis of 1980s
- Secondary market for agricultural real estate loans, rural housing loans, and rural utilities cooperative loans
 - Almost \$20 billion in assets
- Stockholder-owned, federally chartered corporation serving a public mission

Mission


Farmer Mac is committed to help build a strong and vital rural America by increasing the availability and affordability of credit for the benefit of American agriculture and rural communities.

Who is Farmer Mac?

- Regulatory authorities
 - Farm Credit Administration (safety and soundness)
 - Securities and Exchange Commission
 - New York Stock Exchange
- Public profile as a GSE
 - Congressional action; regulatory enforcement action; stockholder lawsuits

Promise

To build a strong and vital rural America through innovation, collaboration, and excellence.




Who is Farmer Mac?

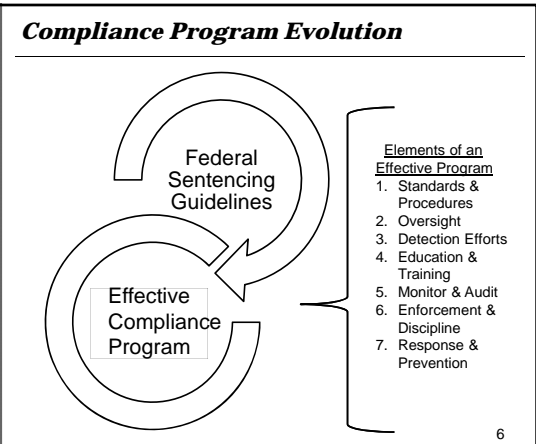
- U.S. Employees
 - Less than 100 employees
 - Mostly in D.C., but some remote employees
- Offices
 - Washington, D.C. (HQ), Iowa, California, Idaho

Values

Stewardship | Unparalleled Service | Innovative Thinking | Collegial Collaboration | Unrelenting Excellence | Absolute Integrity | Passion for Rural America | One Farmer Mac



Compliance Program Evolution



Federal Sentencing Guidelines

Effective Compliance Program

Elements of an Effective Program

1. Standards & Procedures
2. Oversight
3. Detection Efforts
4. Education & Training
5. Monitor & Audit
6. Enforcement & Discipline
7. Response & Prevention

Compliance Program Evolution

Practical Tip #1

Benefits

1. Decrease legal and reputational risks
2. Positively impact employee morale
3. Increase process efficiency

Challenges

1. After Thought
2. Separate Review Cycle

7

Compliance Program Evolution

Chief Compliance Officer

1. Responsible for Program
2. Sets the Tone
3. Adequate Resources
4. Ability to Communicate with Board

Senior & Middle Management

1. Shared Commitment
2. Conduct at the Top

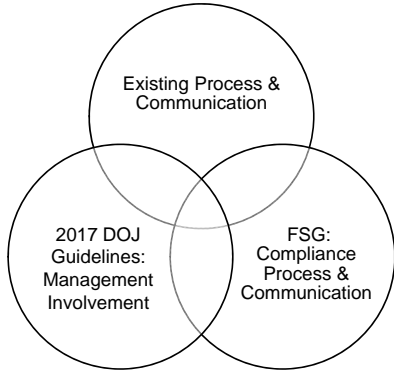
8

Partnering with Leadership

- Visibly Communicate
 - *The (Honest) Truth About Dishonesty*, by Dan Ariely
- Model
 - *The (Honest) Truth About Dishonesty*, by Dan Ariely
- Be Accountable
 - *Better than ever? Employee reactions to ethical failures in organizations, and the ethical recovery paradox*, *Organizational Behavior and Human Decision Processes*, 123 (2014) 206-219, M. Schminke, et. al.

9

Bolt-On Compliance Program



10

Merge Processes



11

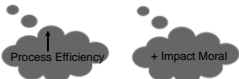
Built-In Compliance Program



12

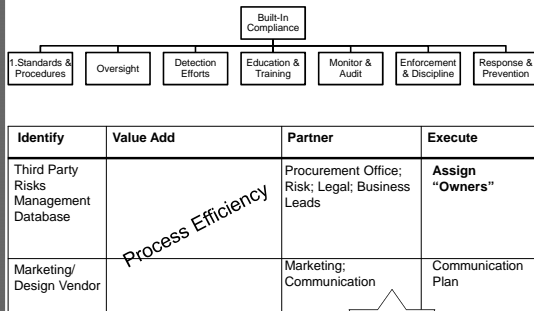
Built-In: Identify, Partner, Execute

- Identify
 - Which existing systems or processes can Compliance be rolled into?
 - Where can I add the most value?
- Partner
 - Who are the key stakeholders I must work with?
 - Who do I need to consult or inform?
- Execute
 - Are there obstacles? What is the implementation timeline? What is the communication plan?
 - **How can Leadership show commitment?**



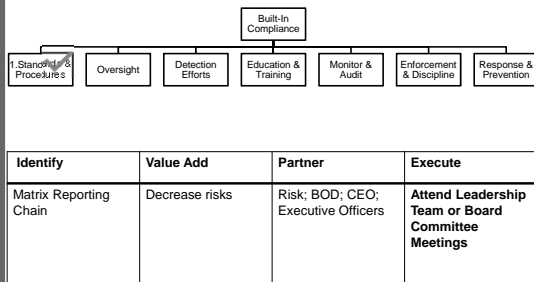
Practical Tip #2

Built-In: Use Existing Vendors



Practical Tip #3

Built-In: Leverage Existing Relationships



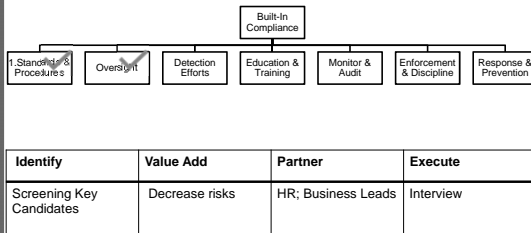
Compliance – Strategic Plan

- Mission
 - To decrease legal and reputational risks, positively impact employee morale, and increase process efficiency by making ethics and compliance tools and resources easily available to all employees.

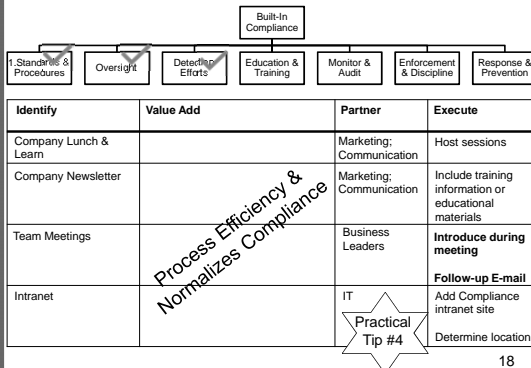
- Vision
 - For ethics to be seamlessly integrated into decision-making processes.

- Strategic Plan
 - What activities align with corporate strategies?
 - Hint: risks, morale, and process efficiency

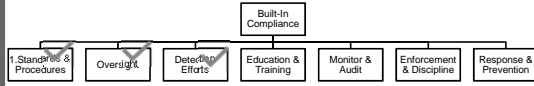
Built-In: Use existing processes



Built-In: Use Existing Channels



Built-In: Use Existing Channels



Identify	Value Add	Partner	Execute
Posting Boards	<i>Decrease Risks & Normalizes Compliance</i>	Marketing; Communication	Pre-approval
Laptop Stickers		IT	Roll-out plan
Intranet		IT	Include on intranet homepage
E-mail Signature Line		N/A	Add Hotline information
Out of Office Notification		N/A	Add Hotline information
Business Leads		Business Leads	Educate

19

Built-In: Consolidate and Merge



Identify	Value Add	Partner	Execute
Training Vendors	<i>Process Efficiency & Cost-Saving</i>	Procurement; IT; Legal; HR	Vendor provides cross-functional trainings
Training Schedules		HR; IT	Built into enterprise calendar
Training Messaging		HR; IT	Consistent language Supervisor notification

20

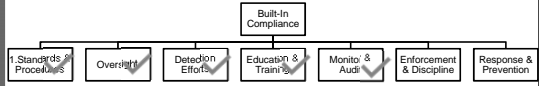
Built-In: Use Existing Processes



Identify	Value Add	Partner	Execute
Risk Assessment	<i>Process Efficiency</i>	Risk	Add observation of misconduct question
Third Party Due Diligence		Risk	Add conflicts and regulatory compliance question
Engagement Survey		HR	Include ethical culture questions
Exit Interviews		HR	Include in exit survey
Conflicts of Interest Questionnaire		HR	Include with other attestations

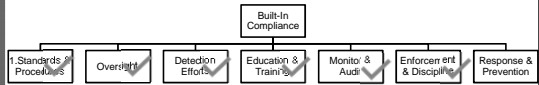
21

Built-In: Use Existing Processes



Identify	Value Add	Partner	Execute
Incentive Programs	Decrease Risks	HR	Supervisor
Performance Evaluations		HR	Supervisor

Built-In: Engage Management



Identify	Value Add	Partner	Execute
Root Cause Analysis	Decrease risks and process efficiency	Business Leaders	Create, revise, or clarify process

Table Exercise

1. Individual
 - Identify, Partner, Execute
2. Table Discussion
 - Share Strategies
3. Share With Group

Metrics to Show ROI

- Surveys
 - Compliance orientation and trainings
 - Outreach visits
- Data
 - Intranet: "hits" to your materials
 - Advice or Hotline Data: trends
 - Training: score; attendance
 - Legal Fees, Enforcement Actions, Penalties
 - Employee Engagement Results
 - Ethical Culture Results
 - Exit Survey Results



Built-In: Takeaways

- One size does not fit all
 - Company size
 - Compliance maturity level
 - Culture
- Build trusting relationships
 - It takes time and effort
 - Know your champions
 - Leverage relationships
- You are not alone
 - Compliance networks

Questions?



Thank You!

- Grace C. Wu de Plaza, Director of Compliance & Corporate Integrity
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