



DBF GUIDANCE FOR GEORGIA STATE-CHARTERED BANKS, BANK HOLDING COMPANIES, CREDIT UNIONS, AND TRUST COMPANIES

TO: Supervision Staff

CC: Georgia State-Chartered Banks and Credit Unions

FROM: Melissa Sneed
Deputy Commissioner for Supervision

SUBJECT: SALE OF NON-INSURED INVESTMENT PRODUCTS

DATE: August 19, 2022

Georgia state-chartered banks and credit unions planning to offer non-insured investment products, or investments not insured by FDIC or NCUA, such as mutual funds and annuities to their customers and members should implement strong policies and procedures for proper governance. The sale of non-insured investment products on the bank or credit union's premises, through an affiliate, or leasing space to a non-affiliated third party can pose financial risk to the institution which must be properly managed to avoid adverse safety and soundness implications.

POLICIES AND PROCEDURES

Any non-insured investment product sales programs should be implemented using sound written policies and procedures which are reviewed and updated on a regular basis. The Board of Directors should review the effectiveness of the program at least annually. Written policies and procedures should address the following:

1. Written contracts relative to all non-insured investment products should be reviewed by the legal counsel and be approved by the Board of Directors prior to implementation.
2. Prescribed limits on employees involved in non-insured investment activities should establish a clear separation between insured deposit activities and any non-insured investment activities. Although the sharing of employees is not prohibited, separate employees are preferred for the sales and marketing of non-insured products. If the employee has other duties,

those duties should not include the opening of deposit accounts or the acceptance of insured deposits. Employees directly involved with non-insured investment products should be appropriately licensed by the regulatory body having jurisdiction over such products or activities, and should receive adequate training, appropriate for the level of involvement with non-insured investment products or activities.

3. The activities and compensation of employees engaged in the sale, or referral to sales representatives of non-insured investments, should be covered by specific written policies which ensure the absence of conflicts of interest.

4. Sales and marketing areas for non-insured products should be physically separate from other banking activities. This area should prominently identify any third parties which may be offering non-insured products to bank or credit union deposit customers.

5. Prior to engaging in non-insured investment activities, the Board of Directors should review the applicability and adequacy of the fidelity coverage with respect to such activities. Subsequent reviews should be conducted annually, and all reviews should be documented in writing.

6. For all non-insured investments, adequate disclosures should be made at the time of sale and when any written statements relative to those investments are rendered to the customer or member. At the time the non-insured investment account is opened by a customer or member, the financial institution should obtain a written acknowledgment from the customer or member that he/she understands the investments are not deposits, are not insured by the FDIC or NCUA, are not guaranteed by the financial institution, and that the market value of the investments will fluctuate, and that the loss of principal invested may result. An original copy of the signed customer or member acknowledgment should be maintained by the financial institution with a copy provided to the customer or member.

7. Prior to engaging in non-insured investment activities, the financial institution should verify that all required licenses are obtained. At least annually thereafter, the financial institution should verify that all such required licenses continue to remain valid.