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## **Interest Rate Swap Management Policy January 14, 2019**

The Delaware Valley Regional Finance Authority (“DelVal”) utilizes interest rate swap transactions to hedge the exposure of DelVal to changes in long-term interest rates and to provide fixed rate loans to participants (the “Participants”) in DelVal’s loan program (the “Loan Program”). The Board of Directors (the “Board”) recognizes the benefits of swap transactions to reduce interest rate costs, reduce costs of issuance, and enhance the management of debt, but the Board also recognizes the potential for abuses. Since DelVal began using interest rate swaps in 1997, DelVal’s practices have reflected that recognition. In order to provide clarity and transparency to the capital markets and to Participants, the Board hereby adopts this Interest Rate Swap Management Policy:

- 1) No person or entity representing DelVal or a Participant shall be compensated by a swap counterparty.
- 2) No master interest rate swap agreement or swap transaction intended to offset debt service payments on bonds issued by DelVal shall be executed without explicit authorization by a Resolution of the Board.
- 3) At the request of a Participant, the Program Administrator shall be authorized to execute swap transactions to provide the Participant a fixed rate loan or to terminate or offset a transaction that was previously executed to provide a fixed rate loan. This authority shall be granted in a Resolution of the Board adopted at the annual reorganization meeting.
- 4) DelVal shall not execute any swap transactions to leverage payments.
- 5) DelVal shall not execute any swap transactions that provide an up-front receipt in return for future off-market payments or in return for an option that can be exercised by the counterparty.
- 6) DelVal shall not execute any swap transactions that produce a basis risk.
- 7) DelVal shall not execute any swap transactions with a forward commitment of more than one year.
- 8) Participants shall be required to adopt an interest rate swap management policy prior to the closing of a new loan.

- 9) The Program Administrator shall monitor the conditions in the interest rate swap market and the fair market value of the interest rate swap transactions executed by DelVal. The Program Administrator shall provide quarterly updates on the fair market value to the Board and shall publish the fair market values on the DelVal web site.

Any exceptions to this Interest Rate Swap Management Policy must be explicitly authorized by a Resolution of the Board. The Board shall adopt a Resolution at its annual reorganization meeting to affirm or modify this Interest Rate Management Policy.