

Department III

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This is an English translation of a German original. Only the German original text is authoritative and legally binding.

Instruction sheet on collateral eligible for SNB repos

1. General

This instruction sheet outlines the criteria that have to be met for securities to be eligible for SNB repos, thereby providing more specific detail than is given in the ‘Guidelines of the Swiss National Bank on monetary policy instruments’.

2. List of collateral eligible for SNB repos

Only securities which are included in the list of collateral eligible for SNB repos may be pledged as collateral for repo transactions. This list is continuously updated and published on the SNB website (www.snb.ch, *Financial markets, Monetary policy operations, Collateral eligible for SNB repos*).

The SNB decides whether securities should be included in the list of collateral eligible for SNB repos. Enquiries should be addressed to Department III of the SNB. The SNB may reject securities or exclude securities previously included in the list, without justifying its decision.

If the SNB has received, as collateral for a repo transaction, securities that are subsequently excluded from the list of securities eligible for SNB repo transactions during the term of the repo transaction concerned, the counterparty is obliged to substitute these securities at the request of the SNB.

3. Criteria for eligibility of securities

Type of securities:

- Only debt certificates are eligible as collateral. As a rule, they have a fixed principal amount and their redemption is not subject to any conditions.

- Securities subject to partial or full early redemption by the issuer may be admitted.
- Securities whose maturity can be extended by the issuer in accordance with the conditions of issue only remain on the list of collateral eligible for SNB repos up to the original maturity date.

Currency of issue:

- Securities denominated in Swiss francs, euros, US dollars, pounds sterling, Danish kroner, Swedish kronor or Norwegian kroner

Eligible issuers:

- The securities are issued by central banks, public sector entities, international or supranational institutions, multilateral development banks and private sector entities. Securities issued by financial institutions are, as a rule, not eligible as collateral for SNB repos. However, covered bonds issued by financial institutions are admissible, provided the issuer is not a domestic financial institution or its foreign subsidiary. Also admissible are securities issued by the mortgage bond bank of the Swiss mortgage institutions and the mortgage bond institute of the Swiss cantonal banks (Pfandbriefbank schweizerischer Hypothekarinstitute AG and Pfandbriefzentrale der schweizerischen Kantonalbanken AG; hereafter: 'the Swiss Pfandbrief institutions').
- The issuer is domiciled in Switzerland, in a member state of the European Union (EU) or European Economic Area (EEA), or in the United Kingdom (UK). Securities denominated in Swiss francs, securities issued by international or supranational organisations and securities issued by multilateral development banks are exempted from this domicile requirement.

Credit rating requirements:

- Both the issuer's country of domicile and the securities have at least an AA-/Aa3 rating.
- For securities issued by central banks, public sector entities and the Swiss Pfandbrief institutions that have a sufficient country rating but no securities rating, the issuer rating may be applied instead. The issuer must have a rating of at least AA-/Aa3.
- Central bank-issued securities that have neither a country nor an issuer rating may be admitted as eligible collateral as long as the minimum requirements in terms of country rating are met.
- Securities issued by certain multilateral development banks designated by the Swiss Financial Markets Authority that have a sufficient securities rating may be admitted irrespective of the rating requirements regarding their country of domicile.
- Securities issued by the Swiss Confederation and by issuers with a guarantee from the Confederation, as well as securities issued by the EU, the Bank for International

Settlements and the IMF may be admitted as collateral irrespective of the rating requirements.

Recognised ratings:

- Requirements in terms of country, securities or issuer rating are based on the credit ratings of Standard & Poor's, Moody's and Fitch. The second-highest rating awarded is the decisive one. If only one credit rating is available, this shall be the one taken into account.
- For public-law institutions that are domiciled in Switzerland and which have neither a securities rating nor an issuer rating from one of the three aforementioned agencies, the credit rating awarded by the Fedafin agency may also be taken into account.

Eligible markets:

- As a rule, the securities are traded on a recognised stock exchange or a representative market, where price data are published on a regular basis, in Switzerland, in an EU or EEA member state, or in the UK.
- Swiss franc securities of foreign issuers must be quoted on the SIX Swiss Exchange.

Issued volume:

- The securities have a minimum volume, which is determined by the outstanding volume in the currency of issue. The applicable amounts are listed below.

Securities in	Minimum volume
CHF	CHF 100 million
EUR	EUR 1,000 million
USD	USD 1,000 million
GBP	GBP 750 million
DKK	DKK 7,500 million
SEK	SEK 10,000 million
NOK	NOK 10,000 million

Procedure:

- The securities can be delivered through SIX SIS Ltd (SIS). The intermediate and ultimate securities depository is in Switzerland, in an EU or EEA member state, or in the UK.

4. Characteristics and allocation to individual baskets

All securities contained in the list of collateral eligible for SNB repos are part of the SNB GC Basket. All securities in this collective basket meet the criteria for high-quality liquid assets (HQLA) as defined in the Liquidity Ordinance.

Based on their characteristics, the securities in this collective basket are divided up into further baskets. The L1 Basket contains Swiss franc and foreign currency securities issued by, as a rule, central banks, public sector entities and multilateral development banks. The L2A Basket contains all other securities from the SNB GC Basket. In addition, Swiss franc securities are pooled in an L1 CHF Basket and an L2A CHF Basket.

5. Exclusion of counterparties' own securities

The SNB does not accept counterparties' own securities or those issued by persons or companies which, directly or indirectly, hold at least 20% of the capital or voting rights in a counterparty or, conversely, in which the counterparty holds such rights. This 20% rule does not apply to participations in the Swiss Pfandbrief institutions. Failure to comply with this rule may cause the SNB to temporarily exclude the counterparty from all of its monetary policy operations.

6. Debt certificates issued by the SNB

SNB debt certificates are included in the list of collateral eligible for SNB repos irrespective of the criteria set out in this instruction sheet. They are eligible for repo transactions with the SNB and may be delivered during such transactions either by counterparties or by the SNB. This ruling takes precedence over any clauses relating to the delivery of a contracting party's own securities in the individually applicable framework agreement (e.g. art. 1 para. 2 'Swiss master agreement for repo transactions', 1999 version) that may provide otherwise. By entering into repo transactions with the SNB, the counterparty consents to this ruling. SNB debt certificates may also be delivered to the Custody Cover Account SNB at SIS to provide cover for limits granted under the liquidity-shortage financing facility.