

## **Instruction sheet 5**

(Appendix to the *Guidelines of the Swiss National Bank (SNB) on Monetary Policy Instruments*)

**Department III**

Zurich, 5 October 2009

**This is an English translation of a German original. Only the German original text is authoritative.**

## **Instruction sheet on collateral eligible for SNB repos**

### **1. Introduction**

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 (SNB) on Monetary Policy Instruments*.

### **2. List of collateral eligible for SNB repos**

Only securities 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](http://www.snb.ch), *Financial markets, Monetary policy operations, Repos*).

The SNB decides whether a security 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 withdraw 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. Debt certificates issued by the SNB**

SNB debt certificates are admitted to the list of collateral eligible for SNB repos irrespective of the criteria set out in these guidelines. They are eligible for repo transactions with the SNB and may be delivered either by counterparties or by the SNB.

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This ruling takes precedence over any clauses relating to the delivery of the party's own securities in the individually applicable framework agreement (e.g. art. 1 para. 2 *Swiss Framework Agreement on 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.

#### 4. General criteria for eligibility of securities

Securities eligible as collateral for SNB repos (debt certificates) must fulfil the following criteria:

- The securities are issued by central banks, public sector entities, international or supranational organisations or private sector entities. Securities issued by domestic banks and their subsidiaries abroad are not generally eligible for SNB repos.
- The securities have a fixed-principal amount with unconditional redemption.
- The securities have a fixed rate, floating rate or zero coupon.
- In general, the securities are traded on a recognised stock exchange or a representative market in Switzerland or a member state of the European Union (EU) or the European Economic Area (EEA) with price data published on a regular basis.
- The securities can be delivered through SIX SIS Ltd (SIS); intermediate and ultimate depository in Switzerland or an EU or EEA member state.
- The country and securities ratings are based on credit ratings from at least one of Standard & Poor's, Moody's or Fitch.

#### 5. Criteria for securities in Swiss francs

In addition to the general criteria, securities in Swiss francs must also fulfil the following criteria:

- Creditor's country of domicile has a minimum rating of A/A2. Securities of international or supranational organisations may be eligible as collateral irrespective of the rating of their country of domicile.
- Securities have a minimum rating of A/A2. Securities of domestic public authorities, domestic mortgage bond institutions (*Pfandbriefanstalten*), other domestic issuers with an explicit guarantee from the Swiss Confederation and the central issuing office of Swiss municipalities are excluded from this rating requirement.

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- The volume of an individual security must amount to at least CHF 100 million at the time of its admission to the list of collateral eligible for SNB repos. The volume is determined on the basis of the volume issued.
- Securities of foreign issuers must be quoted on the SIX Swiss Exchange.

## 6. Criteria for securities in foreign currencies

In addition to the general requirements, securities in foreign currencies must meet the following criteria:

- Denominated in euros, US dollars, pounds sterling, Danish kroner, Swedish kronor or Norwegian kroner.
- Issuer has its registered office in Switzerland or in a member state of the EU or the EEA. Securities issued by international or supranational organisations may be eligible even if the issuer is domiciled in a third country.
- Issuer's country of domicile has a minimum rating of AA-/Aa3. Securities of international or supranational organisations may be eligible as collateral irrespective of the rating of their country of domicile.
- Securities have a minimum rating of AA-/Aa3. Securities issued by sovereign countries and central banks can be exempted from this rating requirement.
- The volume of an individual security must amount to the equivalent of at least CHF 1 billion at the time of its admission to the list of collateral eligible for SNB repos. The volume is determined on the basis of the volume issued.

## 7. Allocation of securities to individual baskets

All securities contained in the list of collateral eligible for SNB repo transactions form part of the SNB GC Basket. Based on their characteristics, the securities in this collective basket are assigned to three different baskets.

The CHF GC Basket contains the securities denominated in Swiss francs. Securities in foreign currencies issued by sovereign countries and central banks make up the Government GC Basket (GOV GC Basket). The International GC Basket (INTL GC Basket) contains all other foreign currency securities.

Securities in Swiss francs with a minimum volume of CHF 1 billion and a minimum rating of AA-/Aa3 may be found in two baskets – the CHF GC Basket and either the GOV GC Basket or the INTL GC Basket.

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## 8. Exclusion of counterparties' own securities

The SNB does not accept counterparties' own securities or those issued by persons or companies that form an economic unit with the counterparty. An enterprise is deemed to belong to the same economic unit as the counterparty if 20% or more of the capital or voting rights are held. This 20% rule does not apply to participations in mortgage bond banks or similar institutions. Failure to comply with this rule may cause the SNB to temporarily exclude the counterparty from its monetary policy operations.