

Instruction sheet 2

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

Department III

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

Instruction sheet on the intraday facility

1. Introduction

The Swiss National Bank (SNB) makes intraday liquidity available to its counterparties within the framework of its standing facilities. This instruction sheet describes the conditions and procedures for using this facility and provides more specific detail than is given in the *Guidelines of the Swiss National Bank (SNB) on Monetary Policy Instruments*.

2. Eligible counterparties

Counterparties that meet the conditions for participation in the repo market in Swiss francs may obtain intraday liquidity from the SNB through repo transactions.

3. Conditions

Intraday liquidity is provided interest free to counterparties. Collateral eligible for SNB repos must always cover at least 110% of the amount drawn (cf. *Instruction sheet on collateral eligible for SNB repos*). Only the SNB GC Basket (collective basket) may be used. The SNB normally meets such requests in full. Business transactions entered into for the purposes of drawing intraday liquidity must be fulfilled. The SNB may impose a limit on the amount of intraday liquidity that can be drawn.

4. Procedure

At 4.00 p.m. on bank working days, the SNB offers its counterparties intraday liquidity for the next bank working day. The offer is made on the Eurex Zurich Ltd electronic trading platform and the auction takes the form of a volume tender. In this procedure, any

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number of addressed offers may be submitted and cancelled during tendering. Individual offers must amount to at least CHF 1 million (minimum cash amount) and, for technical reasons, may not exceed CHF 100 million (cash amount) (cf. *Technical rules and regulations, payment system applications*, chapter 2: Instructions for SIC). To optimise securities settlement and payment flows, it is advisable to divide the total into a number of part amounts.

The SNB uses the following contract for the indication of interest addressed to all counterparties:

- TOM INTRADAY SNB CH0008257120

CLS settlement members also receive indications of interest for the following contracts:

- TIN SNB CLS S/M CH0008255157
- TIN SNB CLS S/S CH0008255165

Liquidity provided under the last two contracts is credited to the counterparty's "S" account (sub-account) at SIC. Repayment of liquidity provided under the first contract is debited from the "M" account (main account) at SIC, while repayment of liquidity provided under the second contract is debited from the "S" account (sub-account) at SIC.

Between 8.00 a.m. and 2.45 p.m., the SNB makes additional intraday liquidity available to its counterparties. Accordingly, it places a quote for an "INTRADAY SNB" contract on the Eurex Zurich Ltd electronic trading platform. Counterparties can then proceed to draw liquidity via the 'direct hit' function.

CLS settlement members may also submit offers for the following contracts between 7.30 a.m. and 2.30 p.m.:

- INTRADAY SNB CLS S/M CH0008255132
- INTRADAY SNB CLS S/S CH0008255140

Intraday liquidity can be repaid at any time during the day through the Eurex Zurich Ltd electronic trading platform (*Own Trades* → *Modify/Repurchase* → *Send Repurchase Request* → *Accept* by SNB).

5. Settlement

Settlement of individual repo transactions (own trades) for the next bank working day is triggered by SIX SIS Ltd (SIS) at the beginning of the following value day in the SIC system (around 6.00 p.m.). If repo transactions are undertaken during the day, settlement is triggered immediately after conclusion of the transaction. As soon as the cash taker has sufficient collateral eligible for repo transactions with the SNB and the cash provider has sufficient liquidity, settlement takes place in accordance with the delivery-versus-payment principle. Where counterparties have a Custody Cover Account "SNB" at SIS (cf. *Instruction*

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sheet on the Custody Cover Account "SNB"), securities from this account only are used for covering intraday liquidity.

Reverse settlement of liquidity that has not been repaid in advance is activated automatically by SIS at clearing stop 1 (3.00 p.m.). The corresponding payment instructions in SIC have priority B9. All other payment instructions in SIC have priority B5. Intraday liquidity must be repaid by clearing stop 3 at the latest (approx. 4.15 p.m.).

6. Default

If a counterparty defaults on a payment obligation under a repo transaction for any reason, default interest is payable to the SNB until the day when the payment is made. The rate of such interest is calculated at the level of the SARON (Swiss Average Rate Overnight) 12.00 noon fixing plus twice the special-rate surcharge, although no less than 1 percentage point (cf. *Instruction sheet on the liquidity-shortage financing facility*). Consequently, all counterparties must sign a supplement to the master agreements on repo transactions. This authorises the SNB to debit default interest from their sight deposits, subject to due notification. Moreover, if payment is overdue, a fulfilment request with high priority (B5) will be activated by SIS at the beginning of the following value day in the SIC system.

7. Emergency procedure

In the event of a failure of the electronic trading platform, the SNB decides what steps need to be taken and informs its counterparties accordingly.

Where business transactions are conducted by telephone, counterparties should use the main telephone line of the SNB's Money Market and Foreign Exchange unit (+41 44 631 87 00). After allotment, the repo contracts must be entered in the SECOM system at SIS via a two-way order (matching). This order must be transmitted no later than 15 minutes before clearing stop 1 (2.45 p.m.). The SNB may conduct repo auctions by telephone at any time in order to test this emergency procedure. Counterparties are required to make the necessary arrangements for this.

In exceptional circumstances, the SNB may make liquidity available to a counterparty under the intraday facility on the basis of the securities pledged to it in the Custody Cover Account "SNB" (cf. *Instruction sheet on the Custody Cover Account "SNB"*, section 4.4).