

Department II

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Only the German original text is authoritative and legally  
binding.**

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## **Instruction Sheet on the Extended Liquidity Facility (ELF)**

### **1. Introduction**

Under the Extended Liquidity Facility (ELF), the SNB may grant liquidity support against sufficient collateral to banks that meet the eligibility criteria. With this Instruction Sheet on the Extended Liquidity Facility (ELF) (ELF Instruction Sheet), which forms an annex to the ELF Declaration of Participation, the SNB sets out the conditions and operational details for making preparations, maintaining readiness and obtaining liquidity support under the ELF. The SNB also explains the administrative process regarding the application for participation and achieving of readiness to obtain liquidity support.

### **2. Extended Liquidity Facility (ELF)**

The ELF is an SNB framework for providing liquidity support to banks. Up to a certain limit (ELF Limit), eligible banks can obtain liquidity from the SNB against sufficient collateral in a simplified process. Neither an application nor formal confirmation of the bank's solvency is required for drawing liquidity up to the level of the ELF Limit. The SNB may suspend a bank's ELF Limit in justified cases.

To draw liquidity above the ELF Limit, a formal application must be submitted to the SNB's Governing Board, which decides whether to grant liquidity support. Together with the application, the bank must submit a confirmation of its current and short-term projected solvency and its viability. In addition, an opinion from the Swiss Financial Market Supervisory Authority (FINMA) on the bank's solvency and viability as well as, under certain circumstances, coordination with other measures aimed at ensuring the bank's viability are required.

### **3. Eligible collateral**

The liquidity granted by the SNB as part of its liquidity support must be fully covered by sufficient collateral at all times. The SNB accepts the following as collateral for liquidity support under the ELF: (i) mortgage-backed credit claims secured by register mortgage certificates administered on a fiduciary basis by SIX SIS Ltd (liquidity against mortgage collateral, LAMC) and (ii) a broad range of securities that are deliverable to SIX SIS Ltd (liquidity against securities collateral, LASC). Banks have the option to participate in the ELF with only one or with both categories of collateral.

The SNB defines the criteria for eligible collateral in the ‘ELF Conditions for LAMC Collateral’ and the ‘ELF Conditions for LASC Collateral’.

### **4. Eligible banks**

All Swiss banks that are admitted to the Swiss Interbank Clearing payment system (SIC system) are in principle eligible to participate in the ELF. This includes banks headquartered in Switzerland and Swiss subsidiaries of banks headquartered abroad that are in possession of a banking licence pursuant to art. 3 of the Banking Act and that are under the prudential supervision of FINMA. Swiss branches of banks headquartered abroad are not eligible.

### **5. Systemically important banks**

In the case of systemically important banks, and exclusively with regard to the drawing of liquidity above the ELF Limit, the SNB may, on an institution-specific basis, deem further categories of collateral eligible and/or impose different operational prerequisites for the delivery of collateral. The criteria and requirements for the further collateral and its transfer to the SNB as well as any different operational specifications for the delivery of collateral are agreed bilaterally between the systemically important bank concerned and the SNB.

The bilateral agreements between systemically important banks and the SNB are not made public.

### **6. Prerequisites and conditions for participation**

For a bank to participate in the ELF, it is required to have completed the operational preparations for obtaining liquidity support and to have signed the ELF Contract Documentation specified in the ELF Declaration of Participation. The ELF Contract Documentation consists of the following documents (each individually an ELF Contract Component):

1. ELF Declaration of Participation \*
2. ELF Credit Facility Agreement (Annex 1)
3. ELF Security Agreement LAMC (Annex 2)

4. ELF Pledge Agreement LASC (Annex 3)
5. ELF Control Agreement LASC (Annex 4)
6. ELF Conditions for LAMC Collateral (Annex 5) \*
7. ELF Conditions for LASC Collateral (Annex 6) \*
8. ELF Conditions for Drawing of Loans (Annex 7) \*
9. Instruction Sheet on the Extended Liquidity Facility (ELF) (Annex 8) \*
10. Operational Specifications for LAMC (Annex 9)
11. Operational Specifications for LASC (Annex 10)

The documents marked with an asterisk (\*) as in effect at any time are publicly available and can be viewed at [www.snb.ch](http://www.snb.ch), [Extended Liquidity Facility \(ELF\)](#). The non-public annexes are made available on request to eligible banks as well as to providers of services for banks in connection with the ELF.

In order to be granted liquidity support, banks must meet the prerequisites and conditions set out in the documents forming part of the ELF Contract Documentation. The SNB provides a bank with written confirmation once it has become capable of drawing liquidity against mortgage collateral (LAMC) and/or liquidity against securities collateral (LASC), and has thus achieved ELF capability.

## **7. Preparatory work**

In order to be able to obtain liquidity support quickly if needed, by signing the ELF Declaration of Participation, banks undertake to make the necessary preparations for the drawing of liquidity and for transferring collateral, and to sign the ELF Contract Components of the ELF Contract Documentation that are relevant for them. Details on the necessary preparatory work (including system requirements, data formats and delivery channels) are defined in the ‘Operational Specifications’ (Annexes 9 and 10) as well as in any applicable SIX instructions.

## **8. Maintenance of ELF capability**

To maintain ELF capability, banks must take part in regular test runs and have their processes checked regularly by their internal auditors in accordance with the SNB’s specifications, and inform the SNB of the results of these checks. In addition, periodic reports and other documents, such as an annual management assertion confirming process readiness, must be submitted to the SNB. Details on the test runs and checks, as well as the documents to be submitted and the deadlines for their submission, are defined in the Operational Specifications.

## 9. Determination of ELF Limit

The SNB sets the ELF Limit per bank each quarter on the basis of the following specifications: The ELF Limit is based on the collateral prepared by a bank as per the periodic reports to be submitted – for LAMC, the liquidity values of the mortgage collateral are to be reported on a quarterly basis, and for LASC, the liquidity values of the securities holdings are to be reported on a monthly basis.

For collateral to be deemed prepared, it must be unencumbered, transferable and deliverable to SIX SIS Ltd (LASC) or SIX Terravis Ltd (LAMC) at short notice (within two bank working days).

The ELF Limit amounts to 25% of the liquidity value of the collateral prepared by the bank, taking into account the HQLA surplus, and is calculated as follows:

$$\text{ELF Limit} = 25\% * \{ \text{liquidity value (LAMC + LASC (excluding HQLA))} + \text{HQLA surplus/shortfall} \}$$

Definitions:

- LAMC: liquidity value of mortgage collateral as calculated by the bank at the end of the quarter.
- LASC: liquidity value of securities holdings (excluding HQLA) as calculated by the bank at the end of the quarter (based on the average of the previous three month-end values).
- HQLA surplus/shortfall: available HQLA minus net outflows as per LCR calculation (at the end of the quarter).

The liquidity values of the prepared collateral are calculated in accordance with the ELF Conditions for Collateral (Annexes 5 and 6).

## 10. Granting of liquidity support

### 10.1. General

The contractual terms and conditions for the drawing of liquidity and transferring collateral are set out in the ELF Contract Documentation, notably in the ELF Credit Facility Agreement (Annex 1) and the relevant ELF collateral agreement(s) (Annexes 2 and 3), as well as the ELF Conditions for Drawing of Loans (Annex 7) and the ELF Conditions for Collateral (Annexes 5 and 6). Provided a bank has made the requisite preparations, it can simultaneously obtain liquidity against mortgage collateral (LAMC) and liquidity against securities collateral (LASC) as necessary.

The specific modalities for the drawing of loans (e.g. term, interest rate and default interest) and the specific requirements with respect to the eligible collateral arise from the agreements and the applicable conditions.

## **10.2. Drawing liquidity up to level of ELF Limit**

Up to the level of the ELF Limit, banks can obtain liquidity from the SNB against sufficient collateral provided they have made preparations in accordance with the applicable SNB documents and signed the ELF Contract Components of the ELF Contract Documentation relevant for them. There are in principle no further prerequisites; in particular, neither an application nor formal confirmation of solvency is required.

To conduct a business transaction, please contact the SNB's main contact number for money market transactions (+41 58 631 77 00). In the event of failure of the traditional telephone infrastructure, the satellite telephone number for SNB money market transactions is available (+8816 77 10 26 71). The details on the information required for a business transaction and on the applicable process are laid down in the Operational Specifications.

## **10.3. Drawing liquidity above ELF Limit**

If a bank's liquidity needs exceed the ELF Limit, the bank must, in addition to the other prerequisites, submit both a formal application for liquidity support and confirmation of its solvency and viability.

The application and the confirmation of solvency must meet the requirements set out in the Operational Specifications. Additionally, updated LAMC and/or LASC reports are to be submitted in accordance with the Operational Specifications. Copies of the application and of the other documents must be submitted to the CEO of FINMA.

The SNB checks the application for completeness and compliance with the prerequisites and conditions for granting liquidity support above the ELF Limit. In particular, the SNB assesses the capital situation presented and the operational viability, and obtains an opinion from FINMA.

The SNB's Governing Board ultimately decides based on the available information whether the drawing of liquidity above the ELF Limit is to be granted, and, if so, under what conditions. Under certain circumstances, coordination with other measures aimed at ensuring the bank's viability may be necessary. In justified cases, the SNB Governing Board may change its decision to grant liquidity above the ELF Limit and the conditions under which it may be drawn.

Liquidity support above the ELF Limit, as authorised by the SNB Governing Board, is in principle valid for one year. If needed, the bank must apply for an extension of the liquidity support above the ELF Limit in good time before this period expires.

## **10.4. Transfer and valuation of collateral**

### **10.4.1. Mortgage collateral (LAMC)**

The establishment of a valid security interest in favour of the SNB on the mortgage claims serving as collateral and on the associated register mortgage certificates is a prerequisite for the drawing of liquidity against mortgage collateral (LAMC).

The process for transferring mortgage collateral is started in SIX's systems once the bank has provided the data. The transfer is concluded when the declaration of assignment has been duly signed and the register mortgage certificates have been booked into the SNB's custody account by SIX Terravis Ltd.

### **10.4.2. Securities collateral (LASC)**

The establishment of a valid pledge in favour of the SNB on the securities serving as collateral is a prerequisite for the drawing of liquidity against securities collateral (LASC).

After a transaction to draw liquidity against securities collateral is initiated, securities from one or more of the bank's custody accounts are transferred to a pledged securities account at SIX SIS Ltd. Once the securities have been booked into the pledged securities account, they are pledged to the SNB.

### **10.4.3. Valuation of collateral**

The valuation of mortgage collateral is based on the nominal value of the mortgage. The securities are valued at market prices. Both categories of collateral are subject to the haircuts and deductions set by the SNB.

## **11. Cooperation with SIX**

The SNB involves SIX SIS Ltd, SIX Terravis Ltd and, if necessary, other group companies within SIX Group Ltd (SIX) in handling the provision and management of collateral. Liquidity is paid out via the SIC system.

Therefore, in addition to the conditions defined by the SNB, the prerequisites for participation in the ELF also include meeting the cumulative admission requirements of the relevant SIX parties.

The bank must be able to supply the necessary data on the mortgage claims and on the associated register mortgage certificates as per SIX specifications.

## **12. Confidentiality**

All information that is not already publicly known or publicly available (especially bank customer data), and that is exchanged between the participating banks and the SNB under the

ELF, is to be treated as confidential indefinitely. In particular, all necessary measures must be taken to protect confidential information from unauthorised access and unauthorised use.

Special contractual agreements between participating banks, the SNB and/or SIX remain reserved.

### **13. Amendments to the ELF Instruction Sheet**

Any amendments to this ELF Instruction Sheet are subject to the detailed provisions agreed between the bank and the SNB in the ELF Declaration of Participation.

### **14. Process and contact details**

Eligible banks may order the non-public ELF Contract Components from the Middle Office unit ([kunden@snb.ch](mailto:kunden@snb.ch)), stating their bank name, SIC identification number (SIC number) and contact person.

Please direct any content-related questions regarding ELF to the Liquidity Precaution and Support unit ([elf@snb.ch](mailto:elf@snb.ch)). For administrative questions and the submission of original documents, please contact the Middle Office unit (Swiss National Bank, Department III, Middle Office, Börsenstrasse 15, 8022 Zurich, or [kunden@snb.ch](mailto:kunden@snb.ch)).