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SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
BANCA NAZIUNALA SVIZRA
SWISS NATIONAL BANK 

Zurich, 13 October 2008
Department III
Money Market and Foreign Exchange

Instruction sheet for participation in the US dollar auctions conducted by the Swiss National Bank

As announced in its press release of 18 September 2008, the Swiss National Bank (SNB) may conduct US dollar auctions. Auctions will be announced the previous day via Reuters (SNBAUCT1), Bloomberg (SNB <go> menu item 7) and on SNB's website (www.snb.ch, Financial markets/ US dollar auctions).

Auction

- The auction will take the form of a fixed rate tender or variable rate tender (American auction) with or without a minimum bid rate.
- The SNB will announce the term, the maximum amount to be allotted and the additional conditions on the day of the auction via Reuters (SNBAUCT1) and Bloomberg (SNB <go> menu item 7).

Eligibility to participate

- All banks in Switzerland and abroad that have access to the Swiss franc repo system and are eligible to take part in the SNB's main financing and fine-tuning operations are entitled to participate in the auction.

Bids

- When an auction is held, the SNB will accept bids via the Eurex Repo trading platform until the cut-off time.
- Individual bids (addressed offers) must amount to at least USD 1 million and may not exceed USD 100 million.
- Counterparties may submit as many bids (addressed offers) as they wish. For the fixed rate tender, the sum of all bids submitted by one counterparty may not exceed the maximum allotment amount.
- During the auction, bids that have already been submitted may be cancelled. The allocation will be based on the amount of valid bids at the close of the auction.

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- In fixed rate tender auctions for which a minimum bid rate has been set, individual bids must not undercut the specified minimum rate, and should be expressed in full hundredths of a percentage point (i.e. two decimal places at the most).
- Banks that do not comply with the above provisions will be excluded from the auction.
- Individual allotments will be made via the trading platform, within 30 minutes of the repo auction being closed.

Allotment at the variable rate tender

- The allotment will be carried out according to the American auction method, i.e. bids will be satisfied in the order of their bid rates.
- Bids with the highest interest rate levels are satisfied first. Subsequently, bids with successively lower interest rates are accepted until the total amount to be allotted is exhausted.
- If, at the lowest interest rate level accepted (i.e. the marginal interest rate), the aggregate amount bid exceeds the remaining amount to be allotted, the remaining amount is allocated pro rata among the bids according to the ratio between the remaining amount and the total amount bid at the marginal interest rate. The allocated amount will be rounded to the nearest US dollar.

Allotment at the fixed rate tender

- If the offers received exceed the allocation volume set by the SNB, offers will be reduced proportionately. Otherwise counterparties will be allocated the full amount for which they have submitted an offer.

Collateral

- The US dollar liquidity obtained must be covered at least 100% with collateral eligible for SNB repos (cf. Instruction Sheet on Collateral Eligible for SNB Repos). The Instruction Sheet on Collateral Eligible for SNB Repos shall apply *mutatis mutandis*.
- As in the case of repo transactions in Swiss francs, SIS SegInterSettle AG (SIS) will value the open repo positions twice a day, and will trigger same-day margin calls. Consequently, there will be no initial margin for repo transactions in US dollars.

Settlement

- Settlement of the transactions is carried out automatically via the Multi-Currency Repo Service offered by SIS.
- The securities should be available in the participating bank's Custody Account at SIS on the day of settlement, by 6.00 pm (CET), at the latest.

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- Participating banks must hold a separate US dollar cash account with SIS (cf. SIS Multi-Currency Repo Product Guide, art. 1.2.1, as well as – analogously – art. 4.1.1). If no relevant account relationship exists, SIS will open a US dollar cash account for the counterparties participating in the auction.
- By participating in the auction, the counterparty undertakes to ensure that, when unwinding the repo transactions, the transfer of US dollars to its US dollar cash account with SIS (including repo interest) is guaranteed by 6.00 pm (CET), at the latest (Multi-Currency Repo Product Guide, art. 4.2). Further information may be found in the SIS Multi-Currency Repo Product Guide.
- If a counterparty defaults on a payment obligation, default interest will be payable to the SNB until the day when the payment is made. The default interest is two percentage points above the weighted average interest rate of the repo auction.

Publication of results

- A summary of the auction results will be published on the day of the auction.

Terms and conditions for auctions of overnight loans in US dollars

Going forward, the Bank of England, the European Central Bank, the Swiss National Bank and the Federal Reserve will reassess the effectiveness of these overnight funding operations and reserve the right to adjust auction sizes consistent with evolving market conditions. Effectiveness will be judged by reference to both the scale of bids and the clearing price, for example, if tender rates were consistently below a level of 50 basis points over the target US Federal Funds rate, the scale of the auctions would likely be reduced.

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