

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 the liquidity-shortage financing facility (special-rate repo transactions)

1. Introduction

The Swiss National Bank (SNB) provides its counterparties with a liquidity-shortage financing facility to bridge unexpected, short-term liquidity bottlenecks as part of its standing facilities. This facility may be drawn via a special-rate repo transaction.

This instruction sheet outlines the procedure for granting a limit together with the conditions and operational details of how to use the facility and provides more specific detail than is given in the ‘Guidelines of the Swiss National Bank on monetary policy instruments’.

2. Eligible counterparties

All counterparties that meet the conditions for participation in the repo market in Swiss francs and the conditions set out in section 3 below are entitled to utilise the SNB’s liquidity-shortage facility via special-rate repo transactions.

3. Conditions for using the liquidity-shortage financing facility

3.1. Granting a limit

The first condition for using the liquidity-shortage financing facility is the granting of a limit by the SNB. This limit defines the maximum amount of liquidity that can be drawn. The SNB usually sets a limit in response to a written request from the counterparty. Limits are normally set for a year and can be cancelled by the SNB at any time, providing it gives ten days’ notice

in writing. All applications from counterparties to raise, lower or cancel such limits must be submitted in writing.

3.2. Opening a Custody Cover Account ‘SNB’

As a second condition for using the liquidity-shortage financing facility, the counterparty must open a safekeeping account known as a Custody Cover Account SNB with SIX SIS Ltd (SIS) (cf. ‘Instruction sheet on the Custody Cover Account SNB’).

The SNB has the right to inspect its counterparties’ Custody Cover Account SNB at any time in order to access all significant information relating to the maintenance of sufficient collateral to cover the limit. It reserves the right to provide foreign central banks, as well as domestic or foreign authorities responsible for the supervision of its counterparties, with this information. Furthermore, it is permitted to publish this information in aggregated and anonymised form.

3.3. Providing cover with collateral eligible for SNB repos

The third condition for drawing on the liquidity-shortage financing facility is that collateral eligible for SNB repos covering at least 110% of the limit must be held in the counterparty’s Custody Cover Account SNB at all times (cf. ‘Instruction sheet on collateral eligible for SNB repos’). For this purpose, the counterparty deposits securities covering the limit at least one bank working day before the limit becomes effective.

SIS is responsible for monitoring compliance with the collateralisation requirements. The counterparty has the right to exchange the collateral for other collateral eligible for SNB repos. SIS revalues the securities held in the Custody Cover Account SNB daily at current market prices. If the collateral falls below the limit as a result of a fall in the value of the securities or administrative operations (where capital and/or coupon payments are due), the counterparty must immediately provide further securities to cover the shortfall. One bank working day before they mature, securities are no longer counted towards the agreed limit. If a counterparty does not meet its obligation to provide additional collateral within six hours of notification of a shortfall, the SNB will reduce the limit accordingly. It also has the right to cancel the limit without notice.

Securities that are booked out of the Custody Cover Account SNB in connection with repo transactions under the intraday or liquidity-shortage financing facility are still counted towards the agreed limit during the term of such transactions.

4. Special-rate repo transactions

4.1. Conditions

Each counterparty has the right to obtain liquidity up to the set limit via special-rate repo transactions. This must be repaid together with any applicable interest on the following bank

working day (overnight) and must always be covered by collateral eligible for SNB repos amounting to at least 110% (cf. 'Instruction sheet on collateral eligible for SNB repos'). Only the SNB GC Basket (collective basket) may be used.

4.2. Setting the special rate

The special rate is calculated as the current SNB policy rate plus a special-rate surcharge of 50 basis points, but is always at least 0%. Details of the special rate are published on the SNB's website.

4.3. Procedure

The transactions are generally concluded via the SIX Repo Ltd electronic trading platform and settled on a delivery-versus-payment basis. For securities, settlement takes place via the SECOM system operated by SIS, and for Swiss francs, it is carried out in the SIC system run by SIX Interbank Clearing Ltd (SIC). The SNB invites counterparties to draw liquidity under the liquidity-shortage financing facility on bank working days. The tender procedure lasts 15 minutes from clearing stop 2 (18:00) and is operationally the same as that applicable for open market operations (cf. 'Instruction sheet on open market operations'). The SNB only accepts offers from counterparties that also have a limit for the liquidity-shortage financing facility. The limit granted also determines the maximum amount of the offer for obtaining liquidity. During the day from 08:00 to clearing stop 2 (18:00), counterparties may also obtain liquidity at any time under the liquidity-shortage financing facility via bilateral special-rate repo transactions.

Individual offers must be at least CHF 50,000 (minimum cash amount) or a multiple thereof.

The SNB uses the ON SNB SPECIAL RATE (CH0008257153) contract for this tender operation.

Securities used to obtain intraday liquidity can only be used for special-rate repo transactions when the intraday liquidity has been repaid and the securities have been booked back to the Custody Cover Account SNB.

4.4. Settlement

Settlement of special-rate repo transactions is triggered by SIS immediately after conclusion of the transaction and takes the form of delivery versus payment. The payment instructions to the SIC system triggered by special-rate repo transactions must be given no later than clearing stop 3 plus 15 minutes (18:30). The condition is that corresponding securities must be deposited by this time in the counterparty's Custody Cover Account SNB. Reverse settlement, including interest, is triggered by SIS at shortly before 08:00 on the following bank working day with SIC 'urgent' priority.

4.5. Failure to perform obligations

If a counterparty fails to deliver securities (opening repo) in connection with a special-rate repo transaction because the intraday liquidity has not been repaid on time and securities in their Custody Cover Account SNB at SIS are insufficient, the special-rate repo transaction will be cancelled. The consequences of failing to repay intraday liquidity are governed by the 'Instruction sheet on the intraday facility'.

If a counterparty fails to meet a payment obligation (closing repo) under a special-rate repo transaction for any reason, default interest is payable to the SNB until the day when the payment is made. The default interest rate is calculated as the SNB policy rate plus twice the special-rate surcharge, but is at least 1%. Consequently, all counterparties must sign a supplement to the current 'Swiss master agreement on repo transactions'. This authorises the SNB to debit default interest from their sight deposit account, subject to due notification. Moreover, if payment is overdue, a fulfilment request with high priority ('urgent') will be activated by SIS at the beginning of the following value day in the SIC system.

4.6. Emergency procedure

In the event of failure of the electronic trading platform, the SNB will conclude special-rate repo transactions by telephone. Counterparties must call the SNB's Money Market unit (+41 58 631 77 00). After allotment, the repo contracts must be entered in the system at SIS via a two-way order (matching). This order must be transmitted no later than clearing stop 2 plus 30 minutes (18:30).

In exceptional circumstances, the SNB can also provide liquidity under the liquidity-shortage financing 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).