

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 collateral eligible for SNB repos

1. Introduction

This instruction sheet outlines the criteria that have to be met for securities (debt certificates) to be eligible for SNB repos, thereby providing more specific detail than is given in the 'Guidelines of the Swiss National Bank 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, *Financial markets, Monetary policy operations, Collateral eligible for SNB 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 exclude 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 included in the list of collateral eligible for SNB repos irrespective of the criteria set out in this instruction sheet. They are eligible for repo transactions with the SNB and may be delivered during such transactions either by counterparties or by the SNB.

This ruling takes precedence over any clauses relating to the delivery of a contracting party's own securities in the individually applicable framework agreement (e.g. art. 1 para. 2 'Swiss master agreement for 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 SIX SIS Ltd (SIS) to provide cover for limits granted under the liquidity-shortage financing facility.

4. Criteria for eligibility of securities

Type of collateral:

- Securities with a fixed-principal amount and unconditional redemption
- Securities with fixed rate, floating rate or zero coupon interest

Currency of issue:

- Securities denominated in Swiss francs, euros, US dollars, pounds sterling, Danish kroner, Swedish kronor or Norwegian kroner

Eligible issuers:

- Securities issued by central banks, public sector entities, international or supranational institutions and private sector entities. Securities issued by financial institutions are, as a rule, not eligible as collateral for SNB repos. This exclusion does not apply to covered bonds issued by financial institutions, provided the issuer is not a domestic financial institution or its foreign subsidiary. Neither does it apply to securities issued by the mortgage bond bank of the Swiss mortgage institutions and the mortgage bond institute of the Swiss cantonal banks (Pfandbriefbank schweizerischer Hypothekar-institute AG and Pfandbriefzentrale der schweizerischen Kantonalbanken AG; hereafter: 'the Swiss Pfandbrief institutions').
- Issuers of foreign currency securities domiciled in Switzerland or in a member state of the European Union (EU) or European Economic Area (EEA). Securities issued by international or supranational organisations may be admitted as eligible collateral even if the issuer is domiciled in a third country.

Credit rating requirements:

- Requirements in terms of country or securities rating are based on the credit rating from Standard & Poor's, Moody's and Fitch.
- The defining criterion in the credit rating assessment is the second-highest rating awarded; this must be at least AA-/Aa3. If only one credit rating is available, this shall be used as the defining criterion.
- For securities issued by public sector entities and the Swiss Pfandbrief institutions which do not have a securities rating, the issuer rating may be used instead. In such

cases, the rating shall be based on the issuer ratings of the three rating agencies mentioned above. For public-law institutions which are domiciled in Switzerland and which have neither a securities rating nor an issuer rating from one of the three aforementioned agencies, the credit rating awarded by the Fedafin agency may also be taken into account.

- Securities issued by the Swiss Confederation, SNB, European Central Bank, EU, Bank for International Settlements, International Monetary Fund and certain multilateral development banks designated by the Swiss Financial Market Supervisory Authority can be admitted as eligible collateral irrespective of the rating requirements.

Eligible markets:

- As a rule, the securities are traded on a recognised stock exchange or a representative market in Switzerland or an EU or EEA member state, where price data are published on a regular basis.
- Swiss franc securities of foreign issuers must be quoted on the SIX Swiss Exchange.

Issued volume:

- The minimum volume of an individual Swiss franc-denominated security must amount to at least CHF 100 million at the time of its admission to the list of collateral eligible for SNB repos. For securities denominated in foreign currency, the minimum volume is CHF 1 billion. The minimum volume is determined on the basis of the issued volume.

Settlement procedure:

- The securities can be delivered through SIS. The intermediate and ultimate securities depository is in Switzerland or an EU or EEA member state.

5. Characteristics and allocation to individual baskets

All securities contained in the list of collateral eligible for SNB repos form part of the SNB GC Basket. All securities in this collective basket fulfil the criteria for high-quality liquid assets (HQLA) as defined in the Liquidity Ordinance.

Based on their characteristics, the securities in this collective basket are assigned to additional baskets. The L1 Basket contains Swiss franc and foreign currency securities issued by, as a rule, central banks, public sector entities and multilateral development banks. The L2A Basket contains all other securities from the SNB GC Basket. In addition, Swiss franc securities are pooled in an L1 CHF Basket and an L2A CHF Basket.

6. Exclusion of counterparties' own securities

The SNB does not accept counterparties' own securities or those issued by persons or companies which, directly or indirectly, hold at least 20% of the capital or the voting rights in a counterparty or, conversely, in which the counterparty holds such rights. This 20% rule does not apply to participations in the Swiss Pfandbrief institutions. Failure to comply with this rule may cause the SNB to temporarily exclude the counterparty from all of its monetary policy operations.