

Departement III

Börsenstrasse 15
P.O. Box, CH-8022 Zurich
Telephone +41 44 631 31 11
Fax +41 44 631 39 11
<http://www.snb.ch>

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Money Market and Foreign Exchange
TJN/HG

Liquidity-Shortage Financing Facility

Replacement of the traditional Lombard loan by special-rate repo transactions with Custody Cover Account "SNB" at SIS

Dear Sir / Madam

The Swiss National Bank (SNB) offers the new Liquidity-Shortage Financing Facility with immediate effect. If the counterparty meets certain preconditions, it is entitled to use this facility to obtain liquidity up to the limit set via special-rate repo transactions. We informed you of this change by circular letters of 25 April 2003 and 30 April 2004.

The securities eligible for SNB repos which are necessary to cover the limit are kept in the counterparty's separate Custody Cover Account "SNB" at SIS SegInterSettle AG. This gives the banks flexibility in managing their securities. In particular, these securities can also be used to obtain intraday liquidity. When increasing the balance in the Custody Cover Account "SNB", please note that not all securities eligible for Lombard loans are eligible for SNB repos.

For the conditions and the details of how to use the facility, we kindly refer you to the SNB's terms of business and the following documents (www.snb.ch, News, Repos):

- Guidelines of the Swiss National Bank (SNB) on Monetary Policy Instruments
- Instruction Sheet on the Intraday Facility
- Instruction Sheet on the Liquidity-Shortage Financing Facility (Special-Rate Repo Transactions)
- Instruction Sheet on Collateral Eligible for SNB Repos
- Instruction Sheet on the Custody Cover Account "SNB"
- Procedure for Granting a Limit under the Liquidity-Shortage Financing Facility

Counterparties that already meet the technical requirements (Eurex Repo/SIS/SIC) can apply for a limit under the Liquidity-Shortage Financing Facility by using the enclosed form. All other counterparties that also wish to obtain a limit under the Liquidity-Shortage Financing Facility first have to fulfil the technical requirements (see www.snb.ch, News, Repos, Swiss Franc Repo Market – Guide for Participation). By the end of 2005, the new facility will have completely replaced the current Lombard business.

The conditions of SIS SegInterSettle AG regarding the Liquidity-Shortage Financing Facility are available at the SIS website (www.sec.sisclear.com, Private Area, Products, Repo). Please do not hesitate to contact us should you have any questions (ph +41 44 631 87 00 Money Market and Foreign Exchange).

Yours sincerely,
Swiss National Bank

Thomas J. Jordan

Karl Hug

Enclosure:
Form "Application for the granting of a limit for the Liquidity-Shortage Financing Facility"