



Memorandum

DATE: 1 October 2012
 DEPARTMENT: Asset Management Department

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DNR 2011-399-KAP

■ Principles for the Riksbank's rules for collateral for credit pursuant to the Terms and Conditions for RIX and monetary policy instruments

1. Eligible securities

- a. The Riksbank can accept as collateral debt instruments (non-equity linked securities) that have a credit rating of no lower than A-.
 - (i) If the securities have a credit rating of less than AA-, however, their use will be limited (see 4).
 - (ii) The security must fulfil the following requirements:
 - (1) Be listed for trading on a regulated market in an eligible country.¹
 - (2) Have a minimum outstanding volume corresponding to SEK 250 million.
 - (3) Not have a subordinated payment right.
 - (4) Be issued in an eligible currency².
 - (5) Be issued and registered in an eligible country and the issuer be domiciled in an eligible country.
 - (6) Have a secure arrangement in place for the management of collateral³.
- b. The Riksbank does not accept, however, securities meeting the requirements in 1.a and
 - (i) issued by credit institutions, or

¹ Eligible countries are Australia, Belgium, Denmark, France, Finland, Greece, Ireland, Italy, Japan, Canada, Luxembourg, the Netherlands, Norway, New Zealand, Portugal, Sweden, Switzerland, Spain, Great Britain, Germany, USA and Austria.

² Eligible currencies are DKK, EUR, GBP, JPY, NOK, SEK and USD.

³ The Riksbank currently accepts securities registered with Euroclear Sweden and Euroclear Bank (Belgium) and, if the national central bank acts as a correspondent for the Riksbank, securities registered with VP Securities (Denmark) and VPS (Norway). If the issue is registered with a CSD other than where the holding is registered, the Riksbank must approve the link between the CSDs.

- (ii) issued by a counterparty or a company with which the counterparty has close links, or
- (iii) is classified as an Asset-Backed Securities (ABS).
- c. There are, however, exceptions to b.
 - (i) Securities issued by credit institutions can be accepted if the security:
 - (1) has a credit rating of no lower than AA-, and
 - (2) is covered and fulfils the requirements in the UCITS Directive⁴ or
 - (3) is guaranteed by the state or local government⁵ provided that the security has at least the same credit rating as the state in question (the state in which the issuer is domiciled).
 - (ii) Securities issued by a counterparty or a company with which the counterparty has close links can be accepted if the security:
 - (1) has a credit rating no lower than AA-, and
 - (2) is covered and fulfils the requirements in the UCITS Directive or
 - (3) is guaranteed by the state provided that the security has at least the same credit rating as the state in question.
 - (iii) For securities that are accepted pursuant to c (ii), however, their use is limited (see 4.)

2. Eligible balances on account

- a. The Riksbank can accept as collateral balances on account with a central bank if special collateral arrangements have been established.
 - (i) DKK in accounts with Denmark's Nationalbank and NOK in accounts with Norges Bank through the Scandinavian Cash Pool.
 - (i) EUR in accounts with the Riksbank.

3. Creditworthiness

- a. The creditworthiness of a security shall normally be verified by external ratings from a credit rating agency approved by the Riksbank⁶.
 - (i) Normally, one such external rating is required.

⁴ Article 52.4 of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)

⁵ Acceptance of a guarantee by a local government requires that the local government have unlimited taxation powers and that a credit institution not be considered too closely linked to an individual guarantor local government.

⁶ Normally a credit rating of AAA corresponds to a rating of AAA by Standard and Poor's and Fitch Rating and Aaa by Moody's Investor Services, a credit rating of AA corresponds to a rating of AA- and Aa3, respectively, and a credit rating of A- corresponds to a rating of A- and A3, respectively.

- (ii) If the security has more than one external rating, at least two shall fulfil the Riksbank's requirements.
- b. The Riksbank reserves the right to determine itself how creditworthy an asset shall be considered to be.

4. Concentration limit

- a. The value of the collateral⁷ for the following types of securities may together comprise at the most 40% (concentration limit) of a counterparty's total collateral value:
 - (i) Securities with a credit rating that is less than AA-.
 - (ii) Securities issued by a counterparty or a company with which the counterparty has close links (i.e. such securities as those accepted in accordance with 1 c. (ii)).

5. Haircuts

- a. To calculate the haircut (for price risk), securities are categorised into the following liquidity classes:
 - (i) Category 1, which encompasses:
 - (1) Securities issued by the state.
 - (2) Securities issued by or other claims on a central bank.
 - (ii) Category 2, which encompasses:
 - (1) Securities issued by supranational organisations.
 - (2) Securities guaranteed by the state.
 - (3) Securities issued or guaranteed by the local government.
 - (4) Covered securities.
 - (5) Securities issued by so-called agencies⁸.
 - (iii) Category 3, which encompasses:
 - (1) Other securities.
- b. The haircut for price risk is presented in [Appendix 1A](#).
- c. The haircut for foreign exchange risk is presented in [Appendix 1B](#).
- d. Additional haircuts for covered securities issued by a counterparty or a company with which the counterparty has close links added to the haircuts pursuant to b. and c. are presented in [Appendix 1C](#).
- e. The Riksbank can for a single security or for a certain group of securities decide on further haircuts if the Riksbank determines that they are needed.

⁷ Market value minus haircuts.

⁸ The Riksbank accepts the institutions the European Central Bank classifies as "agencies", as well as other institutions that in the Riksbank's opinion can be considered equivalent.

6. Coming into force

Rules based on these principles will come into force on 15 April 2013.

7. Transitional rules

7.1 Acceptance of securities as collateral

Securities which do not fulfil the requirements listed in 1 above will not be approved after December 31, 2012 with the exception of securities covered by 1 b (iii) above.

7.2 Asset-Backed Securities

- a. Asset-Backed Securities (ABS) will be approved until December 31, 2013 subject to the condition that they meet the requirements listed in section b below.
- b. For ABS additional requirements to those in 1 a. apply that:
 - (i) The security have a credit rating of no lower than AA-. The credit rating must always be verified by at least two external ratings.
 - (ii) If the security have been issued on 1 March 2009 or later, it must have had a credit rating of AAA on the date of issue.
 - (iii) The assets must be acquired through a true sale.
 - (iv) The assets not be credit-linked notes resulting from the transfer of credit risk by means of credit derivatives.
 - (v) The security must have the highest seniority in relation to other tranches referring to the same assets.
 - (vi) If the counterparty (or company with which the counterparty has close links) supplies currency hedging or liquidity arrangements, this can be viewed in the same way as a security issued by the counterparty.
- c. To calculate the haircut, ABS are classified as Category 4.

7.3 Concentration limit

- a. During the period from April 15, 2013 until December 31, 2013, the concentration limit according to 4a is 100 per cent.
- b. During the period from January 1, 2014 until June 30 2014, the concentration limit according to 4a is 70 per cent.

Appendix 1A – Haircuts for price risk

| Maturity ¹ , years | Category 1 ² | | | Category 2 | | | Category 3 | | | Category 4 | | |
|----------------------------------|---------------------------|------------------------------|----------------|---------------------------|------------------------------|----------------|---------------------------|------------------------------|----------------|---------------------------|------------------------------|----------------|
| | Fixed interest rate | Floating interest rate | Zero coupon | Fixed interest rate | Floating interest rate | Zero coupon | Fixed interest rate | Floating interest rate | Zero coupon | Fixed interest rate | Floating interest rate | Zero coupon |
| 0-3 | 3.0% | 1.0% | 3.0% | 3.0% | 3.0% | 5.0% | 8.5% | 6.0% | 9.0% | 22.0% | 22.0% | 22.0% |
| 3-5 | 4.0% | 2.0% | 7.0% | 5.0% | 4.0% | 10.0% | 11.0% | 8.5% | 14.0% | 22.0% | 22.0% | 22.0% |
| 5-7 | 5.0% | 5.0% | 9.0% | 7.0% | 6.0% | 15.0% | 15.0% | 12.0% | 27.0% | 22.0% | 22.0% | 22.0% |
| 7-10 | 6.0% | 6.0% | 12.0% | 10.0% | 10.0% | 20.0% | 20.0% | 17.0% | 35.0% | 22.0% | 22.0% | 22.0% |
| >10 | 7.0% | 7.0% | 20.0% | 15.0% | 14.0% | 25.0% | 35.0% | 30.0% | 40.0% | 22.0% | 22.0% | 22.0% |

¹ Remaining maturity

² For balances in accounts with central banks and for claims on the Riksbank a haircut of 0.5% is applied

Inverse floating interest rate

| Remaining maturity, years | Haircut |
|---------------------------------|---------|
| 0-3 | 11.5% |
| 3-5 | 16.0% |
| 5-7 | 19.5% |
| 7-10 | 22.5% |

| | |
|-----|-------|
| >10 | 28.0% |
|-----|-------|

Appendix 1B – Haircuts for foreign exchange risk

| Currency | Haircut |
|----------|---------|
| DKK | 4% |
| EUR | 4% |
| GBP | 5% |
| JPY | 9% |
| NOK | 4% |
| USD | 6% |

Appendix 1C – Extra haircuts for covered securities issued by counterparties or closely linked companies

| Remaining maturity, years | Haircut |
|---------------------------|---------|
| 0-3 | 3.0% |
| 3-5 | 4.5% |
| 5-7 | 6.0% |
| 7-10 | 8.0% |
| >10 | 10.0% |

