



# The Riksbank's guidelines for collateral management

DECEMBER 2007

■ **The Riksbank's guidelines for collateral management**

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## ■ 1. Introduction

The purpose of this document is to describe in greater detail the eligibility requirements in the Rules and Regulations for RIX and monetary policy instruments (the RIX Regulations) for using securities as collateral for credit in RIX (intraday credit) and in repos or as collateral for credit in the Riksbank's supply of liquidity for monetary policy purposes. This document thus serves as a complement to the RIX Regulations.

The following text contains a summary of the regulations and routines applying for management of collateral in RIX and in monetary policy instruments, in order to aid understanding of the RIX Regulations. There are direct references to the RIX Regulations wherever possible or to electronic appendices (e-Appendix) and other relevant information that is published on the Riksbank's website ([www.riksbank.se](http://www.riksbank.se)). In addition, the document contains practical descriptions and examples of how the Riksbank processes and assesses collateral and collateral arrangements.

The Riksbank's website also contains information on who to contact at the Riksbank if you have questions concerning collateral (e-Appendix 9, Contact persons).

## ■ 2. Eligible collateral

### 2.1. Collateral for intraday credit

According to the RIX Regulations, the Riksbank may accept as collateral for intraday credit securities that meet certain eligibility requirements as well as foreign currency. Table 1 contains a summary of the regulations.

The Riksbank wishes to clarify the following points in the RIX Regulations.

- a. Credit rating (RIX Regulations E.1.1.a(iii)1) is assessed on the basis of the rating given by Standard & Poor's, Moody's Investors Service and Fitch IBCA according to e-Appendix 1, Rating. These ratings serve as guidance but do not determine the Riksbank's assessment. The Riksbank may thus deviate from the assessment made by the credit rating institute. These deviations will only occur in exceptional cases. The Riksbank's eligibility assessment of the security is thus based on its external credit rating.
- b. Securities shall be issued in currencies accepted by the Riksbank (RIX Regulations E.1.1.a(iv)). Eligible currencies are listed in e-Appendix 2, Eligible currencies, which is available on the Riksbank's website.
- c. Securities shall be registered in book-entry form at a central securities depository licensed according to the Act (1998:1479) on Accounting of Financial Instruments (at present this means VPC AB), or at a central securities depository abroad (RIX Regulations E.1.1.a(ii)). If the securities are registered abroad, they must be subject to rules and systems for pledging or transfer to the Riksbank that are sufficiently secure. In addition, the Riksbank and the RIX participant in question must have a connection to the central securities depository abroad.

The Riksbank's connection with the securities depository can be organised in one of four different ways:

1. The Riksbank can have a representative (correspondent) in the country concerned, which represents the Riksbank in relation to the central securities depository. The Riksbank has this type of correspondent arrangement with Værdipapircentralen in Copenhagen and Verdipapirsentralen in Oslo. The Riksbank's correspondents in these cases are the Danish and Norwegian central banks respectively.
2. The Riksbank can itself, without any intermediary, be directly connected to a central securities depository abroad. In other words, the Riksbank can be a long distance participant in the securities depository system. The Riksbank has this type of arrangement with Euroclear. However, with regard to securities not issued by the central securities depository abroad, the provisions under point 4 below will apply.
3. It is possible to establish a connection (link) between the central securities depository abroad and VPC or another Swedish central securities depository, on condition that this link is considered to meet the Riksbank's security requirements. The links that fulfil the Riksbank's requirement are listed in e-Appendix 3, Eligible links.
4. It is possible to establish a connection (link) between the central securities depository abroad and the central securities depository abroad used in accordance with points 1

■ and 2 above, on condition that this link is considered to meet the Riksbank's security requirements. The links that fulfil the Riksbank's requirement are listed in e-Appendix 3, Eligible links.

- d. Securities shall be issued by a country, or an issuer domiciled in a country, that has a satisfactory credit rating in the opinion of the Riksbank. Most OECD countries fulfil the Riksbank's requirement. Eligible countries are listed in e-Appendix 4, Eligible countries.
- e. Securities shall be listed on a stock exchange.
- f. The outstanding volume on each issue shall be at least SEK 100 million. Outstanding volume here refers to the part of the amount issued that is registered with another party than the issuer.
- g. In addition to securities it may be possible to accept foreign currency as collateral (RIX Regulations E.3).

To be considered eligible, the foreign currency must be registered in an account with another central bank that is pledged to the Riksbank. This assumes that the Riksbank has signed an agreement with the foreign central bank concerned. The Riksbank has agreements on this type of arrangement with the Danish and Norwegian central banks regarding Danish and Norwegian kronor respectively, within what is known as the Scandinavian Cash Pool. See also section 5.5.

In addition to foreign currency registered in an account with another central bank, the Riksbank can accept pledging of euro through a payment to the Riksbank via the Riksbank's account with the Deutsche Bundesbank. See also section 5.6.

- h. With regard to the requirement in E 1.1b (iv) that a security may not be subordinated, the following applies for asset-backed securities in structured issues (ABS). The Riksbank approves asset-backed securities in structured issues that have highest seniority (capital and interest) in relation to other tranches in the same securities issue after the delivery of an enforcement notice, as set out in the offering circular. The Riksbank therefore accepts only the most senior category/tranche.

Furthermore, with regard to asset-backed securities and the requirement for a "true sale" in E.1.1. (b) (v) that the cash flow-generating assets shall have been acquired by a so-called special-purpose vehicle (SPV) for securitisation from the originator or a representative in a way that can be regarded as a "true sale" in accordance with the relevant legislation and which is enforceable against any third party, and must be beyond the reach of the originator and its creditors, including in the event of the originator's insolvency.

Furthermore, according to E 1.1 (b) (vi), the cash flow-generating assets may not consist, in whole or in part, actually or potentially, of credit-linked notes or similar claims resulting from the transfer of credit risk by means of credit derivatives.

## ■ 2.2. Collateral for monetary policy instruments

### 2.2.1. Monetary policy repos

In its monetary policy repo transactions, the Riksbank can accept Swedish or foreign promissory notes that meet the requirements in section 2.1.1 (RIX Regulations E.1.1) but with the following limitations:

1. Only securities kept in accounts with VPC AB and included in VPC's money market clearing will be accepted.
2. Only SEK-denominated securities will be accepted.

Table 1 contains a summary of the regulations.

### 2.2.2. Other monetary policy credits, including lending through the lending facility

The eligibility requirements for these credits are based on the RIX Regulations and are thus the same as for collateral with intraday credit (see section 2.1.1).

**Table 1** Eligible assets for credit or repo transactions

<b>Selection criteria</b>	<b>Credits</b>	<b>Monetary policy repos</b>
<b>Type of assets</b>	Shall comprise bonds or other promissory notes <sup>1</sup>	See Credits
<b>Issuer</b>	A government, central bank, local government or other public body, or a company that is not a bank (development banks and similar are not excluded, however) - on condition that the issuer is domiciled in one of the countries listed in e-Appendix 4, Eligible countries	See Credits
<b>Credit rating</b>	They shall fulfil a minimum credit rating requirement see e-Appendix 1	See Credits
<b>Area where the security is located</b>	Sweden or a country listed in e-Appendix 4, Eligible countries	See Credits
<b>Account-keeping institute</b>	VPC or other central account keeper approved by the Riksbank	VPC, but solely money market clearing
<b>Currency</b>	SEK or other eligible currency as listed in e-Appendix 2, Eligible currencies	SEK
<b>Listing requirement</b>	Yes	Yes
<b>Outstanding volume</b>	Minimum of SEK 100 million	See Credits

<sup>1</sup> However this is not applicable to bonds or promissory notes with subordinated payment rights or when the counterparty has close links with an issuer, E1.1.b.



### 3. Valuation and risk management

#### 3.1. Collateral for intraday credit

##### 3.1.1. Market valuation

- a. A single reference market place is established for each asset. This means that when securities are listed on more than one market place, only one of these is used as a price source for the asset.
- b. The Riksbank defines the most representative electronically-published price for each reference market place. Normally, the price chosen is one set at a time close to the closure of the Swedish market on the banking day prior to the valuation day. If more than one price is listed, the lowest price is used (normally the buying rate) (RIX Regulation E.1.2.1(c)).
- c. If there is no reliable market price available, the security is given a standard value according to credit rating, sector, issue volume and demand.

##### 3.1.2. Adjustment of the market value

The market value of securities is adjusted in accordance with the following haircuts. When establishing the size of the haircut, the liquidity and duration of the security are taken into account.

- a. The security is classified according to a liquidity category. This assessment is made on the basis of the issuer, the type of security and the pricing situation.

**Table 2** *Liquidity classes (RIX Regulations E.1.2.2)*

Category 1	Category 2	Category 3	Category 4
Securities issued by the Swedish government, or other approved government with daily pricing*	Securities issued by supra-national issuers as well as securities with a state guarantee and covered bonds <sup>2</sup> all with daily pricing*	Other eligible securities with daily pricing*	All eligible securities lacking daily pricing*.

\* Daily pricing here means that the security is on Stockholmsbörsen's daily pricelist or another list with daily rates listings.

- b. On the basis of the above classification, different haircuts shall be applied on the basis of duration and coupon structure.

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<sup>2</sup> Covered bonds here refers to debt instruments covered by the Act on issuing covered bonds (2003:1223) which came into force on 1 July 2004.

**Table 3** Haircut in per cent for securities with fixed and floating interest rates

	Category 1		Category 2		Category 3		Category 4	
Maturity, years	Fixed coupon	Zero coupon	Fixed coupon	Zero coupon	Fixed coupon	Zero coupon	Fixed coupon	Zero coupon
0-1	0.5	0.5	1	1	1.5	1.5	4	4
1-3	1.5	1.5	2.5	2.5	3	3	8	8
3-5	2.5	3	3.5	4	4.5	5	15	16
5-7	3	3.5	4.5	5	5.5	6	17	18
7-10	4	4.5	5.5	6.5	6.5	8	22	23
>10	5.5	8.5	7.5	12	9	15	24	25

For securities with a floating interest rate, the haircuts above for duration of 0-1 year are applied.<sup>3</sup>

c. For Inverse Floating Rate Instruments, the Riksbank applies the following haircuts:

**Table 4** Haircut in per cent for inverse floating rate instruments

Maturity, years	Haircuts
0-1	2
1-3	7
3-5	10
5-7	12
7-10	17
>10	25

d. For covered bonds issued by the counterparty itself or by an institution closely-linked to the counterparty, the following extra haircut will be applied in addition to what is stated in b-c above.

<sup>3</sup> If the interest period for the security exceeds one year, the security's remaining time to maturity shall determine the haircut.

■ **Table 5** Haircut in per cent for covered bonds issued by the counterparty itself or by an institution closely-linked to the counterparty

Maturity, years	Haircuts
0-1	1
1-3	3
3-5	4.5
5-7	6
7-10	8
>10	10

- e. A haircut for exchange rate risk of at least 3 per cent shall be made if a security is denominated in another currency than the credit. The haircuts for foreign exchange risk applied by the Riksbank are listed in e-Appendix 5, Haircuts for foreign exchange risk.

#### ■ Example:

This means, for instance, that for a bond in category 3 issued by a mortgage institution at a fixed interest rate and with a remaining duration of five years, which is listed at a rate of 100 per cent and where the accrued interest amounts to 1.5 per cent, the haircut will comprise 5.5 per cent of 101.5 per cent ( $100+1.5$ ), that is to say, 5.58 per cent. The adjusted market value will then be 94.42 per cent.

If the bond in the example above is issued in EUR and acts as collateral for credit in SEK, the haircut shall be 5 per cent ( $5+3^4$ ) of 101.5 per cent, that is, 8.12 per cent. The adjusted market value will then be 91.88 per cent.

#### 3.1.3. Limit to holdings of certain securities issued by one and the same issuer (RIX regulations E.1.1 (d) and (e))

- a. The limit covers both covered bonds issued by or guaranteed by the counterparty or by a company with close links to the counterparty, and debt securities issued by or guaranteed by Swedish banks or foreign credit institutions.
- b. The adjusted market value of collateral according to a. which has been issued by one and the same issuer or group of closely-related issuers may amount to a maximum of 25 per cent of the counterparty's total adjusted market value.
- c. The limit in accordance with b. does not apply if the counterparty's total adjusted market value is less than SEK 250 million.

#### 3.1.4. Additional collateral

The Riksbank has the right to require additional collateral according to RIX Regulations E 1.2.3. However, with regard to intraday credit and credit granted in the standing facilities, the credit scope is normally recalculated to correspond to the adjusted market value, which means that no additional security will be required.

### **3.2. Collateral for monetary policy instruments**

#### 3.2.1. Monetary policy repos (RIX Regulations E.2.2)

##### a. Market valuation

The market value of the securities is determined on the basis of a valuation made on the day prior to the commencement of the repo's duration. The market value is set at the prices applying at the end of the banking day prior to the valuation day. After this a daily market valuation is made. The market value includes accrued interest up to and including the valuation day and, where appropriate, detached but not prepaid coupons.

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<sup>4</sup> The haircut for collateral in EUR for credit in SEK is assumed to be 3 per cent.

■ b. Adjustment of the market value

The market value of the security is adjusted in accordance with section 3.1.2.

c. Additional collateral

1. The Riksbank has the right to require additional collateral if it is noted in the daily valuation of the collateral that its adjusted market value as in 3.2.1(b) above has fallen more than one (1) per cent below the amount paid up plus accrued interest on the repo (RIX Regulations E.2.2.4(a)). Additional collateral shall be in the form of a transfer without payment.
2. The counterparty has the right to request the collateral be returned if it is noted during the daily valuation of the collateral that the adjusted market value, according to section 3.2.1(b) above, exceeds the amount paid out plus accrued interest on the repo by more than one (1) per cent (RIX Regulations E.2.2.4(b)).

Example:

An illustrative example here is a repo of SEK 1 billion that runs at 2.75 per cent interest and where a nominal SEK 1,058,201,058 billion of the sample bond used in 3.1.2(d) above is presented. After two days the amount paid including accrued interest is 1,000,152,778<sup>5</sup>. If the adjusted market value is below 99 per cent (100-1), that is to say, 990,151,250, the Riksbank will require additional collateral. In this example we assume that the adjusted market value for the bonds amounts to 989 304 906, which means the Riksbank will request additional collateral. The requirement will be an adjusted market value of 10,847,872, that is, the difference between the amount paid including accrued interest (1,000,152,778) and the adjusted market value of the present collateral (989,304,906).

d. Other conditions

The price of a securities transaction included in a repo is set by the counterparty. It should not exceed the adjusted market value of the collateral. The aggregate purchase price for all purchased securities that a monetary policy counterparty offers in a repo transaction shall correspond to the allotted amount (RIX Regulations E.2.2.3). However, for practical and system-technical reasons (decimal rounding-off) a deviation of a maximum of +/- SEK 25 is accepted.

3.2.2. Other monetary policy credits, including lending through the lending facility

The eligibility requirements for these credits are based on the RIX Regulations and are thus the same as for collateral with intraday credit (see section 3.1).

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<sup>5</sup> 1 000 000 000\*(1+(0,0275/360)\*2)

## ■ 4. Investigation of securities

### 4.1. Securities issued by the Swedish government and Swedish mortgage institutions

The Riksbank *investigates of its own accord* whether securities issued by the Swedish government, i.e. by the Swedish National Debt Office, and by Swedish mortgage institutions are eligible as collateral.

### 4.2. Other securities

When investigating securities issued by issuers other than the government and mortgage institutions, the Riksbank uses an *application procedure*. The Riksbank investigates whether a security (an issue with an ISIN number) shall be eligible as collateral after an *application* from a counterparty to the Riksbank (a participant in RIX or a monetary policy counterparty). An application shall be sent in on the form in e-Appendix 6, Application form for approval of securities as collateral.

The Riksbank will refuse an application if the security does not fulfil all of the eligibility requirements. These include a security being noted on the stock exchange's daily or monthly list and holding a definite rating. The Riksbank will therefore not state in advance whether it will accept a security.

The Riksbank can in certain cases (e.g. for securities with a foreign connection and/or issue terms that are difficult to assess) request that a counterparty supply at its own cost a legal opinion showing that the Riksbank's requirements are met with regard to a security the counterparty wishes to pledge as collateral. The legal opinion shall be drawn up by a lawyer's office that is independent of the counterparty and approved by the Riksbank or by an equivalent foreign lawyer's office and contain the testimonials/opinions specified by the Riksbank.

Asset-backed securities (ABS) issued in EUR are only accepted if they are included on the ECB's list of securities approved by the ECB.

Assuming that the application is correct and complete, the Riksbank will process it within one working week. This will take longer if an issuer's security or the currency in question has not previously been investigated by the Riksbank, or if the prices of the security are not regularly noted and available electronically.

### 4.3. List of eligible assets

Securities that have been approved by the Riksbank are entered onto a list (e-Appendix 7, Eligible assets for credit in SEK). The list also states whether the security is also acceptable as collateral for repos.

If a security no longer fulfils the requirements for eligible assets according to section 2, the Riksbank will decide that it no longer accepts this security with effect from a given date and the security will be removed from the list of eligible assets. The Riksbank can decide that the decision will come into force immediately, but a period of grace of 20 banking days is normally given to allow exchange of the security.

## **5. Investigation of security arrangements etc.**

### **5.1. Collateral in accounts kept by VPC**

The counterparty shall show that the counterparty or its representative is a member of the clearing types (money market clearing, stock market clearing and/or gross real-time settlement) at VPC used for providing collateral.

#### **5.1.1. Pledges for credit**

The Riksbank will open one or more pledging accounts for the counterparty, where the Riksbank will function as account keeping institute. The counterparty shall sign a special pledge declaration with regard to these accounts.

According to the RIX Regulations, a participant in RIX may receive a special intraday credit with the Riksbank intended for settlement of securities in VPC (central bank credit). This credit will be administered by VPC on the Riksbank's behalf. A special agreement on opening such an account will be signed with the Riksbank.

#### **5.1.2. Securities in repo transactions**

The Riksbank will open an account in the Riksbank's name to which the counterparty shall supply pre-sold securities.

### **5.2. Collateral in accounts kept by Euroclear**

To use securities in accounts kept by Euroclear as collateral, the counterparty must sign a special pledge declaration and an agreement with Euroclear. The Riksbank may also require legal opinion under certain circumstances regarding the content of foreign laws. A counterparty wishing to use collateral in accounts kept by Euroclear is asked to contact the Riksbank for more in-depth discussion and instructions.

### **5.3. Collateral in accounts held by Værdipapircentralen or Verdipapirsentralen with the Danish and Norwegian central banks respectively as correspondents for the Riksbank**

A special agreement is required with both the Riksbank and the central bank abroad. A counterparty wishing to use collateral in accounts kept by Værdipapircentralen or Verdipapirsentralen is asked to contact the Riksbank for more in-depth discussion and instructions.

#### ■ 5.4. **Assessment of other links than those included on the list of eligible links (e-Appendix 3, Eligible links)**

The Riksbank is prepared to investigate adding a link to the Riksbank's list of eligible links on condition that it can be demonstrated that the arrangement is sufficiently secure and does not entail any restriction of the Riksbank's ability to use and realise pledges registered and transferred in this way. This assumes that the counterparty carries out a legal investigation. The Riksbank provides instructions regarding the scope of the legal investigation for each particular case. The Riksbank will not compensate for any costs incurred through the legal investigation. The counterparty should be aware that the Riksbank's investigation of a link requires adequate time for processing.

#### 5.5. **Credit in foreign currency in accounts with the Danish and Norwegian central banks respectively**

Collateral in the form of credit in foreign currency in accounts with the Danish and Norwegian central banks can be pledged through the Scandinavian Cash Pool (SCP), which is a co-operation between the central banks in Denmark, Norway and Sweden. It is necessary to sign agreements on participation with both the central bank abroad and with the Riksbank.

The agreements entail the counterparty defraying its pro rata share of the costs the central banks have paid to develop the system. In addition, the counterparty shall agree with the central bank abroad to open an account in this bank that is pledged to the Riksbank. Finally, the counterparty shall make a pledge declaration to the Riksbank with regard to the account in the central bank abroad.

In addition to the time required to sign these agreements, etc. the counterparty is required to perform tests in the system.

A counterparty wishing to use the above arrangement is asked to contact the Riksbank for more in-depth discussion and instructions.

#### 5.6. **Pledging of euro via Deutsche Bundesbank**

Collateral in the form of credit in euro can be pledged at accounts with the Riksbank, which have been paid in by deposits in the Riksbank's account with the Deutsche Bundesbank.

The counterparty shall make a pledge declaration to the Riksbank. The Riksbank charges an entry fee of SEK 30 000 to the banks wishing to use this service.



## ■ 6. Routines for pledging collateral for credit

### 6.1. Collateral in accounts kept by VPC

#### 6.1.1. Pledging

Pledging is normally by means of the counterparty registering a sale without payment in real-time gross settlement (transaction BTSA) from its own account to the pledging account opened by the Riksbank. In exceptional cases a normal sale without payment (PTSA) can be registered. The Riksbank automatically matches the counterparty's registration if it meets certain formal requirements. After settlement in VPC, the counterparty's credit limit with the Riksbank is automatically increased by an amount corresponding to the adjusted market value of the asset concerned. Pledging of covered bonds issued by the counterparty or by an institution with close links to the counterparty will until further notice take place by means of the counterparty registering a sale without payment in real-time gross settlement (transaction code BTSA) from its own account to a special pledge account opened by the Riksbank for this purpose. This assumes that the counterparty has previously signed a special grant of pledge.

#### 6.1.2. Returning pledged collateral

A request to return pledged collateral is usually made through the counterparty registering a purchase without payment in real-time gross settlement (BTKO) from the pledging account opened by the Riksbank to its own account. After the formal checks have been carried out, the Riksbank automatically investigates whether the credit scope in RIX can be reduced by an amount corresponding to the adjusted market value of the asset concerned. If so, the Riksbank automatically matches the registration in VPC.

#### 6.1.3. Pledging by proxy

If the counterparty does not take care of registration in VPC itself, but instead uses a proxy, the Riksbank should be notified of this by fax or SWIFT with regard to any collateral changes to be made. The Riksbank will not execute any registration prior to receipt of such notification.

#### 6.1.4. Collateral account for central bank credit administered by VPC

Each holding registered in book form in the account or accounts the counterparty has designated as collateral accounts and which are covered by the counterparty's pledge declaration is pledged to the Riksbank and requires no special registration measure.

At the request of the Riksbank, VPC automatically checks when the sale of an asset is registered in a collateral account that this pledge can be released with regard to the remaining adjusted market value in relation to utilised credit. This check for releasing pledges is also carried out at the end of each day. In certain cases, pledged collateral can only be released if the Riksbank receives lien on the counterparty's claim for settlement payment for the assets sold.

## ■ 6.2. Collateral in accounts kept by Euroclear

### 6.2.1. Pledging

A counterparty shall inform the Riksbank of a new pledge by fax or SWIFT message. The counterparty shall then register a delivery without payment (02 Deliver FOP) as a “daylight instruction” from its own account to the account opened in the Riksbank’s name. The Riksbank will then counter this registration. After settlement in Euroclear, the credit limit will be updated in RIX by the adjusted market value of the new collateral.

The counterparty shall be aware that the Riksbank’s processing is done manually and will therefore take some time.

### 6.2.2. Returning pledged collateral

Returning pledged collateral will occur in a manner corresponding to pledging (01 Receive FOP - Daylight Instruction). The Riksbank will register this in Euroclear after the credit limit in RIX has been reduced by an amount corresponding to the adjusted market value of the asset that is to be returned.

The counterparty shall be aware that the Riksbank’s processing is done manually and will therefore take some time.

## 6.3. Collateral kept in accounts abroad with a central bank as correspondent

### 6.3.1. Pledging

A counterparty shall notify the Riksbank and supply the securities to the account with the central securities depository abroad indicated by the foreign central bank. The Riksbank will grant an increase in the credit limit only after the foreign central bank has informed the Riksbank that the securities have been registered in book form on behalf of the Riksbank. The counterparty should be aware that both the Riksbank’s and the foreign bank’s processing is, or may be, done manually and will therefore require adequate time.

### 6.3.2. Returning pledged collateral

A counterparty shall notify the Riksbank if it wishes to have pledged collateral returned. The Riksbank will in turn notify the foreign central bank after the credit limit in RIX has been reduced by an amount corresponding to the adjusted market value of the asset that is to be returned. The foreign central bank will then be responsible for supplying the security to the counterparty’s account. The counterparty should be aware that both the Riksbank’s and the foreign bank’s processing is, or may be, done manually and will therefore require adequate time.

#### ■ 6.4. Foreign currency held at the Danish or Norwegian central banks (the Scandinavian Cash Pool)

##### 6.4.1. Pledging

Payment shall be made into an account pledged to the Riksbank according to the regulations for the Scandinavian Cash Pool and the respective local payment systems established by the respective central banks. The central bank will inform the Riksbank that payment has been made, after which the Riksbank will raise the credit limit in RIX by an amount corresponding to the adjusted market value of the amount paid.

##### 6.4.2. Returning pledged collateral

The counterparty shall send a request for return of pledged collateral to the Riksbank in the form of a SWIFT message (MT 202) drawn up according to the regulations for the Scandinavian Cash Pool established by the Riksbank. The Riksbank will send a message to the foreign central bank to release the amount in foreign currency concerned, after the credit limit in RIX has been reduced by an amount corresponding to the adjusted market value of the amount requested.

#### 6.5. Foreign currency in euro with the Riksbank

##### 6.5.1. Pledging

Payment shall be made into an account pledged to the Riksbank through a deposit in the Riksbank's account number 5040040402 with the Deutsche Bundesbank in accordance with the Riksbank's regulations for foreign currency in euro. The Deutsche Bundesbank will inform the Riksbank that a deposit has been made, after which the Riksbank will raise the credit limit in RIX by an amount corresponding to the adjusted market value of the amount paid in.

##### 6.5.2. Returning pledged collateral

The counterparty shall send a request for return of pledged collateral to the Riksbank in the form of a SWIFT message (MT 202) formulated according to the Riksbank's regulations for foreign currency in euro. After the credit limit in RIX has been reduced by an amount corresponding to the adjusted market value of the amount in the request, the Riksbank will send a payment order to Deutsche Bundesbank to pay the amount to the pledgor.

## ■ 7. Routines for repo transactions

### 7.1. On allocation

#### 7.1.1. Applicable regulations (RIX Regulations E.2.2)

- a. The adjusted market value of the securities is determined on the basis of a valuation made on the day prior to the commencement of the repo's duration. It is based on prices applying at the end of the banking day prior to the valuation day plus accrued interest up to and including the valuation day.
- b. The price of a securities transaction included in a repo is set by the counterparty. It should not exceed the adjusted market value of the collateral. The aggregate purchase price for all purchased securities that a monetary policy counterparty offers in a repo transaction shall correspond to the allotted amount (RIX Regulations E.2.3.1 (e)). However, for practical and system-technical reasons (decimal rounding-off) a deviation of a maximum of +/- SEK 25 is accepted.

#### 7.1.2. Processing

- a. On the day before bidding in a repo transaction, the Riksbank will acquire by e-mail the translated rates that will be used to calculate the adjusted market value.
- b. After the Riksbank has established the allocation of a repo, the counterparty shall confirm to the Riksbank no later than 1 p.m. on the same day which securities will be supplied and their prices. Confirmation shall be made in accordance with Appendix 7 of the RIX Regulations (e-Appendix 8, Confirmation of a Repo). This shall take into account fulfilment of the provisions in E.2.2.1 of the RIX Regulations and section 3.2.1 above.
- c. The securities transactions shall then be registered in the VPC system as soon as possible, whereby delivery shall be made to the account in the Riksbank's name that the Riksbank has opened for repos with the respective counterparty. The repurchase of the securities shall also be registered.
- d. The Riksbank will match the transactions in the VPC system after checking that the applicable regulations are fulfilled.
- e. A counterparty shall actively endeavour to have the repo settled in its entirety in the first VPC settlement round on the payment day.

## 7.2. On exchange

### 7.2.1. Applicable regulations (RIX Regulations E.2.3.4)

- a. A repo can be modified at any time during its duration by the Riksbank returning equivalent securities against the counterparty supplying other securities to the Riksbank.
- b. The adjusted market value for the new securities shall correspond to at least the adjusted market value of the returned securities.
- c. The net repo amount paid may not be changed.
- d. The payment for each securities transaction may not exceed the adjusted market value of the security concerned. (E.2.2.2)

### 7.2.2. Processing

- a. A party wishing to modify a repo through exchange shall contact the Riksbank.
- b. Exchanges shall be made by means of agreement on two new repo transactions, whereby the counterparty shall repurchase the securities it wishes returned with payment on the exchange day and at the same time resell these securities to the Riksbank with payment on the original repurchase day. At the same time, the counterparty shall sell the new securities to the Riksbank with payment on the exchange day and repurchase them with payment on the original repurchase day. The net result of the payments shall always be zero.
- c. The counterparty shall confirm in writing which securities it wishes to have returned and which shall be supplied in exchange, as well as the prices of these transactions. Confirmation shall be made in accordance with Appendix 7 of the RIX Regulations (e-Appendix 8, Confirmation of a Repo). This shall take into account fulfilment of the provisions in E.2.3.4 of the RIX Regulations.
- d. The securities transactions shall then be registered in the VPC system as soon as possible, whereby delivery shall be made to the account in the Riksbank's name that the Riksbank has opened for repos with the respective counterparty. The second stage of the transactions shall also be registered.
- e. The Riksbank will match the transactions in the VPC system after checking that the applicable regulations are fulfilled.
- f. A counterparty shall actively endeavour to have the repo settled in its entirety in the first VPC settlement round on the payment day.

## 7.3. On repurchase

- a. A counterparty shall actively endeavour to have the repo settled in its entirety in the first VPC settlement round on the payment day.

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