

III. Departement

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Only the German original text is authoritative and legally binding.**

Instruction sheet on the ‘Custody Cover Account SNB’

1. Introduction

The ‘Custody Cover Account SNB’ at SIX SIS Ltd (SIS) is a safekeeping account held by a counterparty with the Swiss National Bank (SNB) in the counterparty’s own name. This account can be used for a number of purposes. Firstly, it is the basis for utilising the SNB’s liquidity-shortage financing facility. Secondly, the securities in the account can be used to obtain intraday liquidity from the SNB. Thirdly, in an emergency it can be used as a pledged securities account. In this case, the securities are used as collateral for a loan granted by the SNB to the counterparty.

2. Opening and closing a ‘Custody Cover Account SNB’

All counterparties that meet the conditions for participation in the repo market in Swiss francs may open a ‘Custody Cover Account SNB’.

As well as accepting the terms of SIS, every counterparty is required to have the following agreements signed by duly authorised persons when opening a ‘Custody Cover Account SNB’:

- Pledge Agreement with the SNB
- Pledgeholder Agreement with the SNB and SIS

Counterparties are required to notify both SIS and the SNB in writing if they wish to close their ‘Custody Cover Account SNB’.

3. Depositing securities

Only collateral eligible for SNB repos (cf. *Instruction sheet on collateral eligible for SNB repos*) may be held in the 'Custody Cover Account SNB'. Such securities must be the unrestricted property of the counterparty.

4. Purpose of the 'Custody Cover Account SNB'

4.1. Common principles

The securities in the 'Custody Cover Account SNB' may only be used for transactions with the SNB. Providing the necessary collateral is maintained, the counterparty may transfer securities from its main safekeeping account to its 'Custody Cover Account SNB' and vice versa. Third parties are not permitted to transfer securities to the counterparty's 'Custody Cover Account SNB', nor is the counterparty permitted to dispose of securities in its 'Custody Cover Account SNB' in favour of third parties. However, the counterparty may exchange securities for other collateral eligible for SNB repos.

The 'Custody Cover Account SNB' is managed by SIS. Consequently, management of the account is also subject to its terms and conditions.

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 account. Furthermore, it is permitted to publish this information in aggregated, anonymous form.

4.2. Liquidity-shortage financing facility

One precondition for using this facility is the granting of a limit by the SNB which defines the maximum amount of liquidity that can be drawn. The second precondition is that the counterparty must always provide collateral of at least 110% of this limit in the form of collateral eligible for SNB repos. For this purpose, the counterparty places such securities in its 'Custody Cover Account SNB'. If the counterparty makes use of the facility by means of special-rate repo transactions, the transactions are based on securities held in the 'Custody Cover Account SNB'. Precise conditions and operational details for drawing liquidity through special-rate repo transactions are set out in the *Instruction sheet on the liquidity-shortage financing facility*.

4.3. Intraday facility

If a counterparty has a 'Custody Cover Account SNB' at SIS, only securities from this account may be used to obtain intraday liquidity. The precise conditions and operational

details on the drawing of intraday liquidity are set out in the *Instruction sheet on the intraday facility*.

4.4. Emergency pledged securities account

In exceptional circumstances, the SNB may provide short-term secured loans on the basis of the securities pledged to it in the 'Custody Cover Account SNB' in accordance with the Pledge Agreement. These loans are normally granted intraday or until the next bank working day. The SNB agrees the terms of such loans with the counterparty on a bilateral basis.

The SNB exercises its rights under the pledge by blocking (reserving) securities in the 'Custody Cover Account SNB'. As authorised in the Pledgeholder Agreement, SIS activates a reservation limit for such pledged securities in accordance with the value instructed by the SNB.

The SNB credits the loan to the counterparty's sight deposit or its account at SIX Interbank Clearing Ltd (SIC) as soon as sufficient securities have been frozen in the counterparty's 'Custody Cover Account SNB' by way of a reservation limit. Securities to the value of 110% of the reservation limit must be lodged as collateral at all times. The counterparty may substitute other securities for the frozen securities. Repayments in connection with the loan are made into the loan account held for each bank at the SNB. Payment information is exchanged on a bilateral basis.

The blocked (pledged) securities are no longer available for drawing liquidity under the intraday or liquidity-shortage financing facility. However, they still count towards the limit for the liquidity-shortage financing facility.