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## **Instruction sheet governing liquidity against mortgage collateral (LAMC)**

### **1. Introduction**

Based on art. 5 para. 2 (a) and (e) as well as art. 9 para. 1 (e) of the National Bank Act (NBA), the Swiss National Bank (SNB) may act as lender of last resort. As part of its contribution to financial stability, it can provide emergency liquidity assistance for one or more domestic banks if they are no longer able to refinance their operations on the market.

Only mortgage claims on Swiss properties secured by register mortgage certificates administered on a fiduciary basis by SIX SIS Ltd are accepted as collateral for liquidity assistance under LAMC.

This instruction sheet and its annexes set out the conditions and operational details for preparing, maintaining readiness and, if necessary, applying for emergency liquidity assistance under LAMC.

This instruction sheet constitutes neither an offer nor an obligation on the part of the SNB to provide liquidity assistance. The SNB decides on a case-by-case basis and at its own discretion whether to grant emergency liquidity assistance.

### **2. Eligible banks**

LAMC is available to banks connected to the SIC system and domiciled in Switzerland. This includes banks headquartered in Switzerland and Swiss subsidiaries of banks headquartered abroad that are in possession of a banking licence pursuant to art. 3 of the Banking Act and that are under the prudential supervision of the Swiss Financial Market Supervisory Authority (FINMA). However, Swiss branches of banks headquartered abroad are not eligible.

### **3. Requirements and conditions**

The annexes listed below are an integral part of this instruction sheet. They are made available to eligible banks and providers of banking services on request in connection with LAMC.

1. Declaration of participation
2. Instructions for banks participating in LAMC
3. Reporting
4. Management assertion
5. Audit programme
6. Payment instructions
7. Guidance on applying for LAMC
8. Capital adequacy and operational viability confirmation
9. Loan agreement
10. Security agreement

The requirements and conditions mentioned in these documents and summarised in the following sections must be met in order for emergency liquidity assistance to be granted. There is no legal entitlement to emergency liquidity assistance.

#### **3.1. General requirements**

A bank may apply for LAMC if it has made the necessary preparations. In order for emergency liquidity assistance to be granted under LAMC, the bank seeking credit must be solvent and the liquidity assistance must be fully covered by sufficient collateral at all times. To assess the solvency of a bank, the SNB obtains an opinion from FINMA. The SNB may also make the granting of emergency liquidity assistance contingent on other requirements and conditions.

#### **3.2. Cooperation with SIX**

The SNB involves SIX SIS Ltd, SIX Terravis Ltd and, if necessary, other group companies within SIX Group Ltd ('SIX') to handle the transfer and management of collateral. The bank must conclude the relevant agreements with SIX.

The bank must be able to supply the necessary data on the mortgage claims and on the associated register mortgage certificates as per SIX and SNB specifications.

#### **3.3. Participation in LAMC**

The bank submits a request to the SNB regarding participation in the LAMC initiative. By signing the declaration of participation (Annex 1), the bank commits in particular to undertaking the preparations described in section 4.

## 4. Preparations

By signing the declaration of participation, the bank commits to making the necessary arrangements to ensure that emergency liquidity assistance can be provided rapidly. Details can be found in the instructions for banks participating in LAMC (Annex 2). The SNB and SIX provide more details on these necessary arrangements – including system requirements, data formats and delivery channels – in their instructions.

## 5. Granting of emergency liquidity assistance

### 5.1. Application for emergency liquidity assistance

In accordance with the guidance (Annex 7), the bank must submit a signed application, along with the following documents, to the SNB (with a copy sent to the CEO of FINMA):

- Reporting (Annex 3) and
- Capital adequacy and operational viability confirmation (Annex 8)

The submission in full of these documents formally initiates the emergency liquidity assistance process at the SNB. At the same time as submitting the application to the SNB, the bank delivers to SIX the data on the collateral to be transferred.

### 5.2. Decision

The SNB reviews the application for completeness and checks that the requirements and conditions for granting emergency liquidity assistance have been met. In particular, the SNB checks the capital situation and operational viability presented in Annex 8 and obtains an opinion from FINMA to confirm that

- the presentation is valid and accurate;
- the bank complies with minimum capital requirements and is viable;
- no material aspects have been omitted.

The SNB's Governing Board ultimately decides based on the available information whether emergency liquidity assistance is to be granted, and, if so, under what terms.

### 5.3. Transfer of collateral

The implementation of the emergency liquidity assistance begins with the finalisation and signing of the loan agreement and the security agreement, based substantively on the versions in Annexes 9 and 10.

The establishment of a valid and enforceable security interest in favour of the SNB on the mortgage claims serving as collateral and on the associated register mortgage certificates is a prerequisite for the granting of liquidity.

The collateral transfer process is started in SIX's systems once the bank has provided the data. The transfer is concluded when the declaration of assignment has been duly signed and the register mortgage certificates have been booked into the SNB's depository.

#### **5.4. Drawing liquidity**

The specific contractual terms of the emergency liquidity assistance arise from the loan agreement and the security agreement, based substantively on the versions in Annexes 9 and 10, which are signed by the bank and the SNB in the event that the liquidity is drawn.

The specific modalities of the loan (e.g. maturity, interest rate and default interest in the event of failure to meet a payment obligation) and the specific requirements with respect to the mortgage claims eligible as collateral, as well as the guidelines on calculating the eligible amount of the collateral (discounts, etc.), arise from these agreements.

The account information for the disbursement and repayment of the loan and for interest payments is exchanged between the bank and the SNB as per Annex 6.

### **6. Confidentiality**

All information that is not already publicly known or publicly available (especially bank customer data), and that is exchanged between the participating banks and the SNB under LAMC, is to be treated as confidential indefinitely. In particular, all necessary measures must be taken to protect confidential information from unauthorised access and unauthorised use.

Exceptions are made in the case of special contractual agreements between participating banks, the SNB and/or SIX.

### **7. Amendments to the instruction sheet and annexes**

The SNB may amend this instruction sheet and its annexes at any time. Participating banks and SIX will be informed of any such amendments by email.

### **8. Process and contact details**

Eligible banks may order the annexes to this instruction sheet from [kunden@snb.ch](mailto:kunden@snb.ch), stating their bank's name and SIC identification number (SIC no.) and specifying a contact person.

Please direct any content-related questions regarding LAMC to the SNB's Systemically Important Banks unit ([finanzstabilitaet@snb.ch](mailto:finanzstabilitaet@snb.ch)). Any administrative questions should be addressed to the Middle Office unit ([kunden@snb.ch](mailto:kunden@snb.ch)).