

Collateral Information

Collateral Eligibility – Securities and Loans

This page displays information on collateral eligibility. While the Collateral Eligibility page supersedes information previously found on the ‘Discount Window Margins and Collateral Guidelines’ web page, there is no change to collateral eligibility. ✕

Collateral pledged to Federal Reserve Banks (Reserve Banks) can be used to secure discount window advances and extensions of daylight credit or master account activity including charges associated therewith. For more information on the use of collateral under the Payment System Risk (PSR) policy, refer to the Guide to the Federal Reserve's Payment System Risk Policy on Intraday Credit found on the [Payment System Risk Related Policy Documents](#) site.

The information displayed here is a summary and does not supersede or replace any requirements contained in specific Reserve Bank agreements, policies, or procedures. This information may be periodically updated, is subject to change without notice, and is not binding on the Federal Reserve System in any particular transaction.

Institutions should contact their [local Reserve Bank](#) to discuss specific questions regarding collateral eligibility.

Reserve Banks accept a wide range of securities as collateral. General acceptance criteria for securities can be found below, followed by a detailed list of eligible security types, valuation information, and pledging instructions.

Acceptance Criteria for Securities

- 1) A pledging institution must have rights in the securities that are sufficient to grant an enforceable security interest to the Reserve Bank. The Reserve Bank must be able to obtain a perfected, first priority security interest in the securities, free of the adverse claims of third parties, including the claims of an insolvency official or an affiliate of the pledging institution.
- 2) Securities should not be subject to any regulatory or other constraint(s) that impair their liquidation.
- 3) Securities may not be obligations of the pledging institution or an affiliate of the pledging institution, or otherwise correlated with the financial condition of the pledging institution.
- 4) In general, securities must meet the regulatory definition of “investment grade” at a minimum, and in some cases must be of "AAA" rating quality (where indicated). If a security has more than one credit rating assigned, the most conservative (lowest) rating will be utilized.
- 5) Intermediated securities must be pledged to the local Reserve Bank’s account at Depository Trust Company (DTC), Euroclear, or Clearstream, or the pledging institution’s restricted securities account at the Fedwire Securities Service (FSS). Certificated securities must be held at a custodian approved by the Reserve Bank or at the Reserve Bank.
- 6) Securities denominated in certain foreign currencies are acceptable. Eligible foreign currencies are: Japanese yen, euro, Australian dollars, Canadian dollars, British pounds, Danish krone, Swiss francs, and Swedish krona (Eligible Foreign Currencies).

Asset Eligibility Table

Asset Type	General Eligibility Standards	Additional Information
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Asset Type	General Eligibility Standards	Additional Information
U.S. Treasury and Fully Guaranteed Agency Securities (Bills, Notes, Bonds, Floating Rate Notes, Inflation- Indexed and STRIPs)		<p>Pledged through FSS (and DTC on a limited basis)</p> <p>This asset class also includes structured guaranteed notes issued by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA) that do not accrue interest at a stated rate and do not make payments prior to maturity.</p>
Government Sponsored Enterprise (GSE) Securities (Bills, Notes, Bonds, Zero Coupons)		Pledged through FSS (and DTC on a limited basis)
Foreign Government Guaranteed Securities and Brady Bonds	<p>Investment grade rated foreign government, foreign government guaranteed securities, and Brady Bonds, denominated in U.S. dollars or, where applicable, an Eligible Foreign Currency. (Japanese Yen, Euro, Australian Dollars, Canadian Dollars, British Pounds, Danish Krone, Swiss Francs, and Swedish Krona), are generally eligible for pledge.</p>	<p>Pledged through Clearstream, Euroclear or DTC</p> <p>Includes securities backed by guarantees of export credit agencies</p>
Foreign Government Agencies Securities	<p>Investment grade rated foreign government agency bonds denominated in U.S. dollars are generally eligible for pledge, as are AAA-rated foreign government agency bonds denominated in an Eligible Foreign Currency. (Japanese Yen, Euro, Australian Dollars, Canadian Dollars, British Pounds, Danish Krone, Swiss Francs, and Swedish Krona).</p>	<p>Pledged through Clearstream or Euroclear</p> <p>Includes securities backed by guarantees of export credit agencies</p>
Supranationals Securities (Bills, Notes, Bonds and Zero Coupons)	<p>Investment grade-rated supranational bills, notes, and bonds denominated in U.S. dollars are generally eligible for pledge, as are AAA-rated supranational bills, notes, and bonds denominated in an Eligible Foreign Currency. (Japanese Yen, Euro, Australian Dollars, Canadian Dollars, British Pounds, Danish Krone, Swiss Francs, and Swedish Krona).</p> <p>Zero-coupon securities must be denominated in U.S. dollars to be eligible for pledge.</p>	Pledged through FSS, DTC, Clearstream, or Euroclear

Asset Type	General Eligibility Standards	Additional Information
Corporate Bonds	<p>Investment grade-rated corporate bonds denominated in U.S. dollars are generally eligible for pledge, as are AAA-rated corporate bonds denominated in an Eligible Foreign Currency (Japanese Yen, Euro, Australian Dollars, Canadian Dollars, British Pounds, Danish Krone, Swiss Francs, and Swedish Krona).</p> <p>The following are not eligible corporate bonds:</p> <ul style="list-style-type: none"> • Convertible bonds, • Structured notes where the principal is structured as a derivative, and • Foreign issued covered bonds (except German Jumbo Pfandbriefe below). 	<p>Pledged through DTC, Euroclear or Clearstream</p> <p>Includes dollar denominated covered bonds issued by domestic institutions. Contact your local Reserve Bank for details.</p>
German Jumbo Pfandbriefe	<p>AAA-rated German Jumbo Pfandbriefe denominated in U.S. dollars or an Eligible Foreign Currency (Japanese Yen, Euro, Australian Dollars, Canadian Dollars, British Pounds, Danish Krone, Swiss Francs, and Swedish Krona) are generally eligible for pledge.</p>	<p>Pledged through Clearstream or Euroclear</p>
Municipal Bonds	<p>Investment grade-rated municipal bonds denominated in U.S. dollars are generally eligible for pledge, as are AAA-rated municipal bonds denominated in an Eligible Foreign Currency (Japanese Yen, Euro, Australian Dollars, Canadian Dollars, British Pounds, Danish Krone, Swiss Francs, and Swedish Krona).</p> <p>Unrated securities, including pre-refunded and escrowed to maturity bonds, may also be acceptable; contact your local Reserve Bank for additional information.</p>	<p>Pledged through DTC, Clearstream, or Euroclear</p>
Asset Backed Securities (ABS)	<p>Investment grade-rated Asset-Backed Securities (ABS) denominated in U.S. dollars are generally eligible with the exception of interest only (IOs), principal only (POs), IO-ette, residuals, inverse floater, and Z tranches.</p>	<p>Pledged through DTC</p>
Collateralized Debt Obligations (CDOs)	<p>AAA-rated collateralized debt obligations (CDOs) denominated in U.S. dollars are generally eligible for pledge with the exception of interest only (IOs), principal only (POs), IO-ette, residuals, inverse floater, and Z tranches.</p>	<p>Pledged through DTC</p>

Asset Type	General Eligibility Standards	Additional Information
Collateralized Loan Obligations (CLOs)	AAA-rated collateralized loan obligations (CLOs) denominated in U.S. dollars are generally eligible for pledge with the exception of interest only (IOs), principal only (POs), IO-ette, residuals, inverse floater, and Z tranches.	Pledged through DTC
Agency-Backed Mortgage Securities (Pass-Throughs, Collateralized Mortgage Obligations, and Commercial Mortgage-Backed Securities (CMBS))	Agency backed pass-through mortgage securities, commercial mortgage-backed securities, and collateralized mortgage obligations (CMOs) denominated in U.S. dollars are generally eligible for pledge, with the exception of interest only (IOs), principal only (POs), IO-ette, residuals, inverse floater, and Z tranches.	Pledged through FSS (and DTC on a limited basis) This class includes structured guaranteed notes issued by the FDIC or NCUA, which may be backed by loans, RMBS, CMBS, or ABS.
Non-Agency Residential Mortgage-Backed Securities (RMBS)	Investment grade-rated non-agency residential mortgage-backed securities (RMBS) denominated in U.S. dollars are generally eligible for pledge with the exception of interest only (IOs), principal only (POs), IO-ette, residuals, inverse floater, and Z tranches. Investment grade rated RMBS denominated in U.S. dollars backed by subprime mortgages are generally eligible for pledge.	Pledged through DTC
Commercial Mortgage-Backed Securities (CMBS)	AAA-rated commercial mortgage-backed securities (CMBS) denominated in U.S. dollars are generally eligible for pledge with the exception of interest only (IOs), principal only (POs), IO-ette, residuals, inverse floater, and Z tranches.	Pledged through DTC
Trust Preferred Securities (TPS)	Investment grade-rated trust preferred securities denominated in U.S. dollars are generally eligible for pledge. Trust preferred securities that are currently deferring payments, even if not in default, are not eligible for pledge.	Pledged through DTC
Certificates of Deposit (CDs), Bankers' Acceptances, Commercial Paper, Asset-Backed Commercial Paper (ABCP)	Unrated CDs may be acceptable; contact your Reserve Bank for additional information Foreign denominated securities are not eligible. Short-term ratings must be investment grade.	Pledged through DTC

Acceptance Criteria for Loans

Reserve Banks accept a wide range of loan types as collateral. General acceptance criteria for loan collateral can be found below.

Eligible Reserve Bank loan types and Margin Categories correspond to report codes on the FFIEC 031/041/051 Call Report, the FBO FFIEC 002 Call Report, or NCUA Call Report, as applicable (Call Report). Call Report codes are mapped to internal collateral loan types and margin categories in order to apply a margin as defined on the Loan Types and Call Report Mapping table. For additional information on how to pledge loans, reference the [Pledging Collateral](#) page.

Acceptance Criteria for Individual Loans

- 1) The following loans are generally accepted if not more than 30 days past due: commercial and industrial loans; agricultural production loans; agricultural loans secured by farmland; commercial real estate loans (nonfarm nonresidential); owner occupied nonfarm nonresidential commercial real estate; construction loans (1-4 family, construction, and other construction loans); raw land loans (land development and other land loans); guaranteed portion of U.S. agency loans; non-guaranteed portion of U.S. agency loans, and obligations of states and political subdivisions (municipalities).
- 2) The following loans are generally accepted if not more than 60 days past due: consumer loans (auto, marine); consumer loans (revolving credit plans, single payment and installment loans); consumer leases (other); 1-4 family mortgage loans (second lien, home equity); 1-4 family residential mortgage loans; 5+ family residential mortgage loans; student loans; and credit card receivables.
- 3) The pledging institution must have rights in the loans that are sufficient to grant an enforceable security interest to the Reserve Bank. The Reserve Bank must be able to obtain a perfected, first priority security interest in the loans, free of the adverse claims of third parties, including the claims of an insolvency official bankruptcy trustee or an affiliate of the pledging institution.
- 4) Loans cannot be subject to any regulatory or other constraint(s) that impairs their liquidation, including, but not limited to, environmental law or other forms of lender liability.
- 5) Loans must be in readily negotiable, transferable or assignable form.
- 6) Loans must be payable to the pledging institution, unless an alternative arrangement is approved by the Reserve Bank.
- 7) Loans may not be obligations of the pledging institution or an affiliate of the pledging institution, or otherwise correlated with the financial condition of the pledging institution.
- 8) Generally, original notes, original note amendments/assignments, and other required documentation must be stored on the pledging institution's premises pursuant to a pre-approved Borrower-in-Custody (BIC) arrangement or at a Reserve Bank, unless an alternative arrangement is approved by the Reserve Bank. Exception: Participations may be copies if the pledging institution is not the lead bank.
- 9) Loans must be pledged at the note level (e.g., if a drawdown under a master note is pledged, the master note itself must also be pledged). The maturity dates and outstanding balances of all drawdowns may not exceed the maturity date and current face amount of a pledged master note.
- 10) Loan participations are generally eligible for pledge but must be clearly structured as purchase-sale transactions. The eligibility criteria for pledged loans also apply to loans underlying pledged loan participations and/or to the pledged participations, as the case may be.
- 11) Loans with any of the following characteristics are not acceptable:
 - a. Loans classified as Special Mention, Substandard, Doubtful or Loss, or that are otherwise deemed unacceptable by the Reserve Bank following a review of the pledging institution's internal risk rating policy;
 - b. Loans to insiders, including loans to directors, officers or principal shareholders; and
 - c. Loans to an affiliate, subsidiary or parent of the pledging institution (which may include loans to non-depository institutions, such as insurance companies and brokerages).
- 12) Loans secured by the stock or credit of the pledging institution or an affiliate are only acceptable in limited circumstances and with the approval of the local Reserve Bank.
- 13) Loans to foreign obligors are only acceptable in limited circumstances and with the prior approval of the local Reserve Bank (see below).

Loans to Foreign Obligors Pledged as Collateral

Out of concern for a Reserve Bank's ability to perfect and enforce a security interest in loans to foreign obligors, a Reserve Bank either accepts such loans as collateral only in limited circumstances or does not accept foreign obligor loans as collateral. Institutions wishing to pledge foreign obligor loans should contact their local Reserve Bank to determine whether it accepts foreign obligor loans as collateral and if so, under what conditions. The discussion below is provided only as general guidance.

Foreign obligor loans (FOL) are loans to entities or individuals that are incorporated or domiciled outside of the U.S. or whose principal place of business or main office is outside of the U.S. For loans that rely on the strength of guarantors, the domicile of the guarantor determines the classification (e.g., loans to U.S. shell companies that are guaranteed by foreign parents are considered foreign). Loan facilities with multiple borrowers and/or guarantors, some of which are domestic and some of which are foreign, present special issues that should be discussed with the local Reserve Bank before they are pledged. Due to the risk that a Reserve Bank may be unable to perfect or enforce its security interest in such collateral, the Federal Reserve restricts the eligibility of pledges of FOL collateral to include only:

- loans pledged by U.S. depository institutions, or
- loans pledged by foreign depository institutions chartered in the same jurisdiction as the obligor.

To pledge eligible FOL collateral, an institution should contact its local Reserve Bank to learn more about how to seek a legal opinion from the relevant foreign jurisdiction. Foreign counsel will need to interact closely with Reserve Bank counsel to ensure that the opinion addresses the Reserve Bank's concerns. The cost of the foreign counsel will be borne by the pledging

institution.

Any FOL collateral discovered during a routine BIC inspection that has either not been reported or has not received an acceptable legal opinion will be given zero value or the pledging institution will be required to remove the FOL collateral from the BIC pledge. Violations of this policy could result in an institution being deemed ineligible for the BIC program.

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