



13-Nov-14

Sterling Monetary Framework

Summary of haircuts for securities eligible for the Bank's lending operations

		Rate and Maturity							
		Floating	Fixed						
			<1 yr	1-3 yrs	3-5 yrs	5-10 yrs	10-20 yrs	20-30 yrs	>30 yrs
Sovereign and central bank debt (including associated strips) of UK, Canada, France, Germany, the Netherlands and the United States issued in either the domestic currency or in sterling, euro, US dollar or Canadian dollar.	Coupon	0.5	0.5	1.5	2.0	3.0	4.5	6.0	7.5
	Zero coupon	0.5	0.5	1.5	2.0	3.5	6.0	8.5	14.0
Sovereign and central bank debt (including associated strips), of Australia, Austria, Belgium, Denmark, Finland, Ireland, Italy, Japan, Luxembourg, New Zealand, Norway, Portugal, Slovenia, Spain, Sweden and Switzerland, issued in either the domestic currency or in sterling, euro or US dollar.	Coupon	0.5	0.5	1.5	2.0	3.0	4.5	6.0	7.5
	Zero coupon	0.5	0.5	1.5	2.0	3.5	6.0	8.5	14.0
Sterling, euro and US dollar denominated securities issued by major international institutions.	Coupon	0.5	0.5	1.5	2.0	3.0	4.5	6.0	7.5
	Zero coupon	0.5	0.5	1.5	2.0	3.5	6.0	8.5	14.0
Bonds issued by G10 government agencies explicitly guaranteed by national governments, of the highest credit quality (broadly equivalent to AAA).		3.0	3.0	5.0	6.0	8.0	10.0	13.0	15.0
Debt issued by HM Government and denominated in a currency other than sterling, euro, US dollars or Canadian dollars, and directly held in Euroclear or Clearstream.		3.0	3.0	5.0	6.0	8.0	10.0	13.0	15.0
Sterling Sukuk issued by HM Government, directly held in Euroclear or Clearstream.		3.0	3.0	5.0	6.0	8.0	10.0	13.0	15.0
Debt issued under the National Loans Guarantee Scheme announced on 20 March 2012.		3.0	3.0	5.0	6.0	n/a	n/a	n/a	n/a
Conventional debt issued by Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Corporation (Fannie Mae) and the Federal Home Loan Banks System, of the highest credit quality (broadly equivalent to AAA).		3.0	3.0	5.0	6.0	8.0	10.0	13.0	15.0
UK and EEA residential mortgage-backed securities (RMBS).		12.0	12.0	14.0	15.0	17.0	19.0	22.0	24.0
Covered bonds. The underlying assets may be either UK or EEA public sector debt, social housing loans or residential mortgages.		12.0	12.0	14.0	15.0	17.0	19.0	22.0	24.0
UK, US and EEA asset-backed securities (ABS) backed by credit cards.		15.0	15.0	17.0	18.0	20.0	22.0	25.0	27.0
UK, US and EEA asset-backed securities (ABS) backed by auto loans and certain equipment leases.		15.0	15.0	17.0	18.0	20.0	22.0	25.0	27.0
US asset-backed securities (ABS) backed by student loans and consumer loans.		15.0	15.0	17.0	18.0	20.0	22.0	25.0	27.0
UK and EEA asset-backed securities (ABS) backed by student loans and consumer loans.		15.0	15.0	17.0	18.0	20.0	22.0	25.0	27.0
UK, US and EEA commercial mortgage-backed securities (CMBS). Securities containing construction loans will not be eligible. The pool must be diversified.		25.0	25.0	27.0	28.0	30.0	32.0	35.0	37.0
UK, US and EEA covered bonds where the underlying assets include SME loans or commercial mortgages.		25.0	25.0	27.0	28.0	30.0	32.0	35.0	37.0
UK, EEA or US covered bonds or ABS backed by certain Export Credit Agency guarantee loans. These will be subject to individual review.		3.0	3.0	5.0	6.0	8.0	10.0	13.0	15.0
UK, US and EEA securitised portfolios of senior secured or on-balance sheet, corporate loans or SME loans. Leveraged loans are not permitted.		20.0	20.0	22.0	23.0	25.0	27.0	30.0	32.0
UK, US and EEA securitised portfolios of corporate bonds. Portfolios containing high-yield bonds are not permitted.		20.0	20.0	22.0	23.0	25.0	27.0	30.0	32.0
Some types of UK, US and EEA asset-backed commercial paper (ABCP) of credit quality broadly equivalent to a short term rating of A-1+/P1/F1+. Only the most senior paper will be accepted and the eligibility of individual programmes must be agreed with the Bank. Underlying assets must be of a type that are eligible for the operation.		In the range of 12 percentage points to 30 percentage points depending on the underlying asset classes and the diversification of the pool.							
Senior bank debt that is guaranteed under certain non-UK sovereign bank debt guarantee schemes. Various schemes have now been reviewed and are considered eligible. The eligibility of sovereign-guaranteed bank schemes is reviewed at the Bank's discretion in light of requests from counterparties. The debt must be due to mature prior to the expiry date of the relevant guarantee.		3.0	3.0	5.0	6.0	n/a	n/a	n/a	n/a
Portfolios of senior corporate bonds, of credit quality broadly equivalent to A3/A- or above, and commercial paper of credit quality broadly equivalent to A2/P2/F2 or above, issued by non-financial companies in the UK, US and the EEA. Subject to diversification requirement that no more than 10% of the total value of the portfolio may be from a single issuer. For the purposes of this requirement, legal entities in the same group or those with close links as determined by the Bank, will be treated as a single issuer.		30.0	30.0	32.0	33.0	35.0	37.0	40.0	42.0

6pp is added to haircuts to allow for currency volatility when securities are non-sterling denominated.

An additional 2pp is added to yen, Australian dollar and New Zealand dollar denominated securities to allow for higher volatility in the exchange rates.

An additional 2pp is added to Chinese Renminbi denominated securities to allow for the additional risk in fixed exchange rate regimes.

6pp is added to haircuts to allow for currency volatility when securities are non-US dollar denominated for use in the USD Repo.

An additional 2pp is added to yen, Australian dollar and New Zealand dollar denominated securities to allow for higher volatility in the exchange rates for use in the USD Repo.

5pp is added to eligible collateral for which no market price is observable.

A haircut add-on may be applied for portfolios of corporate bonds that are not well diversified, where the largest single bond concentration by market value exceeds 2% of the total market value of corporate bonds delivered.

A haircut add-on of 5 percentage points is applied to own-name eligible covered bonds, RMBS, CMBS, ABS and portfolios of corporate bonds where appropriate.

References to credit rating agency ratings are used to indicate the broad standards of credit quality expected in the securities accepted and are not prerequisites for eligibility. The Bank forms its own independent view of the risk in the collateral taken and only accepts collateral that it can value and risk manage effectively.

The Bank may make further specific add-ons to haircuts for particular eligible collateral at its discretion.

The Bank reserves the right to apply additional haircuts to any individual security at any time, including on collateral delivered in an outstanding transaction.

Haircut add-ons will be kept under review.

Note on calculation: adjusted collateral value (post-haircut) = collateral value * (100 - haircut)/100