

Guidelines for pledging securities and fund units as collateral for loans from Norges Bank

Pursuant to Section 6 of Regulation of 18 December 2019 No 2025 on the Access to Borrowing and Deposit Facilities in Norges Bank (the Lending Regulation).

These guidelines enter into force on [date]. *Guidelines for pledging collateral for loans from Norges Bank* published as Circular 4/2021 are repealed from the same date.

1. Introduction

Section 6 of the Lending Regulation govern which assets may be accepted as collateral. These guidelines regulate requirements for securities and fund units pledged as collateral for loans from Norges Bank and for determining loan value.

To be eligible as collateral for loans from Norges Bank, securities and fund units must meet the requirements in Sections 2 and 3, unless otherwise stated in these guidelines.

Norges Bank may request submission of the information and documentation the Bank deems necessary.

2. Requirements for securities and fund units pledged as collateral

2.1 General requirements

Securities and fund units approved by Norges Bank may be pledged as collateral for loans from Norges Bank. Norges Bank may at any time reject any security or fund unit.

2.2 Registration in a securities depository

Securities must be registered in the VPS (Norwegian Central Securities Depository), Euroclear Bank (Belgium) or Clearstream Banking (Luxembourg). The holdings of fund units must be registered in the VPS.

2.3 Currency requirements

Securities shall be denominated in NOK, SEK, DKK, EUR, USD, GBP, JPY, AUD, NZD, CAD or CHF.

2.4 Country of issuance

Securities must be issued in a country approved by Norges Bank.

Issuance within the EEA is automatically approved. For securities issued in non-EEA countries, the collateral provider must present legal confirmation of the absence of conditions that could weaken Norges Bank's position as collateral taker. Costs associated with obtaining such confirmation shall be borne by the pledgor.

A list of already approved non-EEA countries of issuance may be found on Norges Bank's website.

Securities issuers other than sovereigns or regional or local governments are considered to be private issuers.

2.5 Credit rating

Securities issued by foreign issuers, as well as bonds, notes and short-term paper issued by Norwegian private entities are required to have a credit rating by Standard & Poor's (S&P), Fitch, Moody's or Scope. Nevertheless, this requirement does not apply to securities in NOK with an irrevocable and unconditional guarantee from Norwegian municipal or county authorities or the Norwegian government.

For securities issued by Norwegian entities, with the exception of covered bonds, a credit rating of the issuer is sufficient in the absence of a credit rating of the securities instrument.

For foreign treasury bills, following an assessment, Norges Bank may accept a credit rating of the issuer. In this case, the security will be subject to haircut in Category 2.

If a security or issuer has more than one credit rating, the second-best credit rating applies.

2.6 Listing requirements

Except for notes and short-term paper, securities issued by private entities must be listed on a stock exchange or other trading venue approved by Norges Bank.

Fund units are not required to be listed on an exchange.

2.7 Volume outstanding

Securities in NOK issued by a private entity must have a minimum volume outstanding of NOK 300 million.

Securities in a foreign currency that are issued by a private entity must have a minimum volume outstanding equivalent to EUR 100 million.

Securities other than Norwegian government securities, may account for a maximum of 20 percent of the issue's (ISIN) volume outstanding.

For fund units, a borrower may not pledge more than 20 percent of the fund's assets under management. Nevertheless, this does not apply to units of funds that meet the requirements in Section 3.1, Category 1, of the guidelines.

2.8 Special rules concerning covered bonds

For each borrower, covered bonds may account for a maximum of 70 percent of the market value of the pledged securities after haircut.

2.9 Special rules concerning government guaranteed securities

Securities with irrevocable and unconditional government guarantees may be exempted from the listing requirement in Section 2.6 and the minimum outstanding volume requirement in Section 2.7.

2.10 Securities issued by a bank or other financial institution

Securities issued by a bank or other financial institution, or by a company in which banks or other financial institutions in the same corporate group directly or indirectly own more than 1/3, may not be pledged as collateral. Nevertheless, this does not apply to covered bonds and asset-backed securities (ABSs).

Bonds issued by a holding company that primarily owns insurance companies may be accepted as collateral.

2.11 Fund units

Units in bond and money market funds are eligible as collateral provided that they are managed by a management company registered in Norway and that Norges Bank has access to price information from Oslo Børs Informasjon.

Pursuant to its statutes, the fund must be confined to securities that are eligible under the current rules. The fund may nevertheless invest in unlisted securities if there is a binding promise of listing on an exchange or alternative trading venue approved by Norges Bank. The listing shall take place 14 days at the latest after the fund has invested in the securities.

For funds, the maximum average credit and interest rate duration for the investments pursuant to their statutes will be used to determine the haircut. The fund will receive a haircut as a fixed rate security, unless pursuant to its statutes the interest rate duration is between 0 and 1 year. If there are no limits for credit and interest rate duration pursuant to its statutes, the fund will receive the highest haircut in Category 3. A currency risk haircut will be made for funds that invest in securities in foreign currency. However, this does not apply if the fund's statutes require that it be fully currency hedged. Currency hedging must be with a counterparty with a credit rating of a minimum of A from S&P or an equivalent rating from Fitch, Moody's or Scope.

2.12 Asset-backed securities (ABSs)

Only the upper tranche of an ABS will be eligible as collateral.

ABSs must have a credit rating of AAA from S&P or an equivalent rating from Fitch, Moody's or Scope at the time of pledging. A presale report from an approved credit rating agency must be submitted.

ABSs must be, in Norges Bank's assessment, what are termed "true sale" ABSs. ABSs may not be secured on commercial property loans.

2.13 Other restrictions

Securities that are directly or indirectly linked to credit derivatives are not eligible as collateral. Nor are convertible bonds, inflation-linked bonds, inverse floating rate bonds, FRN Caps, subordinated loans or similar instruments eligible.

3. Calculation of the loan value

3.1 Haircut rates (in percent)

HAIRCUT RATES	CATEGORY 1		CATEGORY 2		CATEGORY 3		CATEGORY 4	
	Fixed	Floating	Fixed	Floating	Fixed	Floating	Fixed	Floating
Maturity (yrs) \ Rate								
0-1	1	1	3	3	4	4	8	8
1-3	3	1	5	4	6	5	11	10
3-7	5	1	7	5	10	7	17	14
7-15	7	1	10	6	13	9	22	17
15+	10	1	15	7	20	12	30	25

In calculating loan value, a haircut is applied to the market value of the pledged securities and fund units. The haircut rate is determined on the basis of the category of security, the security's maturity and its time to refixing. The table below shows which securities and fund units are accepted in each category. Certain securities are given an additional haircut. A 15 percent haircut is applied to ABSs regardless of maturity.

3.2 Haircut categories

	SECURITY TYPE	CREDIT RATING REQUIREMENT *
CATEGORY 1	Government bonds and treasury bills	AAA
	Units in securities funds, limited to investments in government securities	AAA
CATEGORY 2	Government bonds and treasury bills	AA+ to A
	Covered bonds	AAA to AA-
	Bonds, notes and short-term paper issued by foreign local authorities	AAA to A
	Bonds, notes and short-term paper issued by private entities	AAA
	Government-guaranteed bonds, notes and short-term paper	AAA to A (foreign issuers) AAA to BBB- (Norwegian issuers)

	Bonds, notes or short-term paper issued by or guaranteed by Norwegian municipal or county authorities	AAA to BBB-
CATEGORY 3	Bonds, notes and short-term paper issued or guaranteed by Norwegian municipal or county authorities or the Norwegian government	No credit rating requirement
	Bonds, notes and short-term paper issued by private entities	AA+ to A
	Covered bonds	A+ to A
	Units in securities funds not included in Category 1	
CATEGORY 4	Covered bonds	A- to BBB-
	Bonds, notes and short-term paper issued by Norwegian private entities	A- to BBB-

**Credit rating requirements refer to long-term credit ratings of securities or issuers from S&P or the equivalent rating from Moody's, Fitch or Scope. For notes and short-term paper, the agency's applicable short-term credit rating will apply. Where otherwise not specified, credit rating requirements apply regardless of whether the security has been issued by a Norwegian or foreign entity.*

3.3 Additional haircuts

The value of securities denominated in a currency other than NOK is subject to a further haircut in addition to the rates in the table.

- Securities in SEK, DKK, EUR and CAD are subject to a further 6 percentage point haircut.
- Securities in USD, GBP and CHF are subject to a further 7 percentage point haircut.
- Securities in JPY, NZD and AUD are subject to a further 8 percentage point haircut.

A further foreign currency haircut also applies when calculating a borrowing facility under the Scandinavian Cash Pool arrangement.

Covered bonds issued by a company belonging to the same corporate group as the pledging bank or related to the pledging bank is given a 5 percentage point haircut in addition to the rates in the table.

3.4 Use of nominal value

If Norges Bank does not have sufficient price information on securities [registered in a foreign securities depository], the value will be determined on the basis of the nominal value, less an additional haircut depending on the bond's rating. The additional haircut is determined as follows:

- 15 percentage points for a rating of AAA from S&P or the equivalent rating from Fitch, Moody's or Scope.
- 20 percentage points for a rating of AA+, AA or AA- from S&P or the equivalent rating from Fitch, Moody's or Scope.
- 30 percentage points for a rating of A+ or A from S&P or the equivalent rating from Fitch, Moody's or Scope.