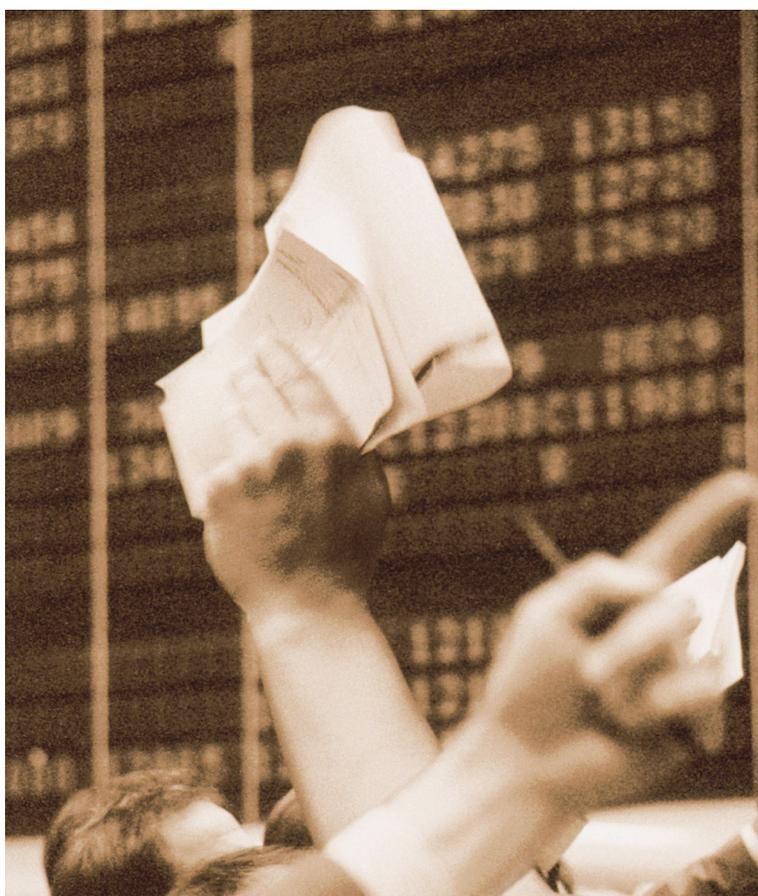


# Collateral ratio for securities

Recommendation



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## Background

The Swedish Bankers' Association and the Swedish Securities Dealers Association have produced the following recommendation for banks and securities companies to use as guidance when establishing the collateral ratio for securities.

Banks and securities companies are always free to use collateral ratios other than those stated in the recommendation. A security's liquidity, volatility and currency risk, as well as the issuer's financial situation, are factors which may justify the application of a lower or higher collateral ratio than stated in the recommendation.

Securities which are not included in the recommendation can also be used as collateral provided trading in such securities takes place in an organised fashion with reliably established prices. In conjunction therewith, the issuer's financial position should be appraised.

## Recommendation

- In conjunction with pledging of balanced securities portfolios, it is recommended that banks and securities companies do not apply collateral ratios greater than stated in the below. A securities portfolio in which more than 50 percent of the market value is concentrated in a single company is never deemed balanced.
- In conjunction with pledging of a one-sided holding of securities, a lower collateral ratio should be applied than that which is stated in the appendix. In such cases, the collateral ratio should be established taking into consideration the assessed risk in the securities holding, where liquidity in the form of a large volume of trading is important.
- The recommendation applies to securities which are admitted to trading on a regulated market under the supervision of each country's supervisory authority in countries which belong to the EEA or OECD as well as in Singapore.
- It is assumed that each institution issues detailed instructions for the institution's borrowing against securities.
- All percentage rates stated in the below refer to recommended maximum borrowing against the most recent stock exchange quoted bid price.

\* The Swedish Investment Funds Act (SFS 2004:46) specifies two types of funds: securities funds and special funds. The recommendation relates only to securities funds.

Comment  
Securities of limited liability companies whose shares are subject to a buy out can be borrowed against as a debenture loan of the purchasing company.

## Securities

1. Shares listed on the Nordic OMX list in the Large Cap. segment **70%**
2. Shares listed on the Nordic OMX list in the Medium Cap. segment **50%**
3. Shares listed on the Nordic OMX list in the Small Cap. segment **30%**
4. Principles corresponding to points 1 to 3 shall be applied as regards shares admitted to trading on a regulated market under the supervision of the relevant country's supervisory authority in countries which belong to the EEA or OECD as well as in Singapore.
5. Bonds **90%**
  - a) money market and capital market instruments issued by the Swedish state, including premium obligations, **80%**
  - b) Bonds issued by Swedish banks and credit market companies wholly-owned by Swedish banks, **70%**
  - c) Other bonds which are admitted to trading on a regulated market under the supervision of each country's supervisory authority in countries which belong to the EEA or OECD as well as Singapore,

Comment to point 5: Swedish bank certificates are equated with bonds in group 5 b. Swedish municipal bonds and commercial paper are equated with bonds in group 5 c.

6. Subordinated debentures, with or without conversion rights Principles corresponding to points 1 to 4 above but with ten percentage point lower collateral ratio.  
Comment to points 5 and 6: For bonds or subordinated debentures pursuant to point 5 and point 6 point with a remaining fixed interest term greater than five years, the maximum collateral ratio should be ten percentage points lower than the stated percentage rate

## Fund units in securities funds\* under the supervision of a supervisory authority within the EEA or OECD area

1. Funds which may only invest in Swedish government securities. **90%**
2. Funds with more than 75% of the investments in securities admitted to trading on a regulated market under the supervision of each country's supervisory authority in countries which belong to the EEA or OECD or in Singapore. **70%**
3. Other funds. **30%**