

**FEDERAL RESERVE BANK OF NEW YORK
FOREIGN CUSTODIAN ARRANGEMENT
COLLATERAL PLEDGING GUIDELINES**

INTRODUCTION

The Federal Reserve Bank of New York (“FRBNY”) accepts pledges of securities held at the foreign custodians (Clearstream or Euroclear) from qualifying depository institutions (“DI”s) to secure borrowings from the Discount Window (“DW”) or for payment system risk (“PSR”) purposes, subject to certain terms and conditions. This document supplements the [Federal Reserve Collateral Guidelines](#) and outlines the requirements and mechanics of pledging securities via the foreign custodians.

Under a foreign custodian pledging arrangement, a pledged account is established at either Clearstream or Euroclear in the name of the FRBNY to hold collateral pledged to it by the pledging DI. The pledging DI may only deposit and withdraw securities from this pledged account in accordance with the procedures generally explained in this document¹ and subject to the approval of the FRBNY. The pledging DI should note that:

- The pledged account must be administered by the New York office of the DI (or such other U.S. office of the DI that has signed Operating Circular 10 (“OC10”) Refer to [Operating Circular No. 10](#) for required documentation).
- This is not a repo or repo-like facility. Securities will be pledged (transferred to the pledged account) free of payment. Any lending against the securities in the pledged account is entirely at FRBNY’s discretion and will be undertaken only under OC10.

LEGAL DOCUMENTATION REQUIREMENTS

Prior to establishing an arrangement with either of the foreign custodians, a DI will need to demonstrate, to the FRBNY’s satisfaction, that it can provide the FRBNY with a legally enforceable security interest in the pledged securities. This may require that a DI provide FRBNY with a legal opinion from counsel satisfactory to the FRBNY. The DI will also require execution by all relevant parties of the necessary pledging agreements, the forms of which have already been negotiated by the FRBNY and the relevant foreign custodian. As a pre-requisite to enter into an arrangement with a foreign custodian, a DI must have the necessary OC10 documentation on file with the FRBNY.

KEY FEATURES²:

Eligible Security Types	<ul style="list-style-type: none"> • Brady Bonds • Foreign Government/Sovereign Debt • German Jumbo Pfandbriefe • Supranationals • Foreign Government Agency Debt • Corporate Bonds • Municipal Bonds <p style="text-align: center;">Refer to the Discount Window and PSR Collateral Margins Table</p>
Eligible Currencies	<ul style="list-style-type: none"> • U.S. Dollar (USD) • Australian Dollar (AUD) • Canadian Dollar (CAD) • Swiss Franc (CHF)

¹ Withdrawal and deposit rights and procedures are more specifically explained in the agreements governing the pledging arrangements and in the applicable operating procedures of Clearstream and Euroclear.

² Specific eligibility criteria, other terms, and exclusions will be specified precisely in the legal agreements documenting the arrangements.

	<ul style="list-style-type: none"> • Danish Krone (DKK) • Euro (EUR) • British Pound (GBP) • Japanese Yen (JPY) • Swedish Krone (SEK)
Credit Rating Criteria	<p>Criteria for (1) Brady Bonds, (2) Foreign Government Debt and (3) U.S. Dollar-Denominated Supranationals, Foreign Government Agency Debt, Municipal Bonds and Corporate Bonds:</p> <p>S&P: AAA through BBB- Fitch IBCA: AAA through BBB- Moody's: Aaa through Baa3</p> <p>Criteria for (1) German Jumbo Pfandbriefe and (2) Non-U.S. Dollar-Denominated Supranationals, Foreign Government Agency Debt, Municipal Bonds and Corporate Bonds:</p> <p>S&P: Only AAA Fitch IBCA: Only AAA Moody's: Only Aaa</p> <p>If an asset is rated by more than one rating agency, the lowest rating will be used to determine eligibility.</p>
Deposits of Collateral	<p>The pledging DI does not need to notify the FRBNY when depositing securities. The foreign custodians will act on the pledging DI's deposit instruction after verifying the collateral eligibility based on criteria determined by the FRBNY and specified in the legal agreements. See Appendix A for Pledging Mechanics.</p> <p><u>Deposit/Pledging Deadlines</u></p> <p>Euroclear: For same-day pledge, requests must be submitted to Euroclear prior to 12:15 pm EST.</p> <p>Clearstream: For same-day pledge, requests must be submitted to Clearstream prior to 1:00 pm EST.</p>
Withdrawals of Collateral	<p>The foreign custodians require FRBNY approval for any withdrawals unless securities of equal or greater value are being substituted for the withdrawn securities. See next section on "Substitutions of Collateral" and Appendix A for Pledging Mechanics.</p> <p><u>Withdrawal Deadlines</u></p> <p>Euroclear: For same-day withdrawal, requests must be submitted to the FRBNY prior to 10:00 am EST.</p> <p>Clearstream: For same-day withdrawal, requests must be submitted to Clearstream prior to 1:00 pm EST. Clearstream will route the request to FRBNY for approval as needed.</p>
Substitutions of Collateral	<p>The pledging DI does not need to notify the FRBNY when substituting a security with another security of equal or greater value. The foreign custodians will act on the pledging DI's instruction after verifying the value and requirements determined by the FRBNY and specified in the legal agreements.</p>
Responsibility for Fees and Other Costs	<p>The pledging DI is responsible for all costs and fees associated with the foreign custodial pledging arrangements.</p>
Income Payments	<p>Unless otherwise instructed by the FRBNY, the foreign custodians will transfer income received with respect to a pledged security to the pledging DI.</p>
Redemption Proceeds	<p>Unless otherwise instructed by the FRBNY, the foreign custodians will transfer redemption proceeds with respect to a pledged security to the pledging DI.</p>
Statement of Collateral Holdings	<p>Consolidated collateral statements that report all DW pledges, including loans and securities, are available to DIs upon request. To request collateral statements, a DI must complete a CMS Reports Request Form for each intended recipient. It is the responsibility of the DI to manage who has access to collateral statements and inform the FRBNY when distribution changes need to be made.</p>
Contact Information	<p>Local number: 212-720-5394 or 646-720-5394</p> <p>Toll free number: 866-226-5619</p> <p>General email address: Discount.Collateral@ny.frb.org</p>

Appendix A: Pledging Mechanics

Euroclear

Deposit Procedures

The pledging DI should follow Euroclear's deposit procedures, including all relevant deadlines. Euroclear will screen the proposed collateral deposit against eligibility criteria pre-determined by FRBNY pursuant to the tri-party agreement among Euroclear, FRBNY and the pledging DI.

Withdrawal Procedures³

- A. The pledging DI must email a completed [Euroclear Closing/Price Adjustment form](#) to FRBNY (discount.collateral@ny.frb.org) by 10:00 am EST. It is important to include the Euroclear Transaction ID number and the remaining balance of the particular transaction after the withdrawal.
- B. FRBNY will ensure the Euroclear Closing/Price Adjustment form is from an authorized individual⁴ at the pledging DI.
- C. FRBNY will process the withdrawal request⁵ and will prepare a price adjustment or account closing for the specified transaction ID.
- D. Euroclear will effect the transfer of securities back to the pledging DI.
- E. Around 2:00 pm EST, FRBNY will extract the final file with the current day's holdings from Euroclear's Triweb website for inclusion in the pledging DIs' DW collateral pools.

Clearstream

Deposit Procedures

The pledging DI should follow Clearstream's deposit procedures, including all relevant deadlines. Clearstream will screen the proposed collateral deposit against eligibility criteria pre-determined by FRBNY pursuant to the tri-party agreement among Clearstream, FRBNY, and the pledging DI.

Withdrawal Procedures⁶

- A. The pledging DI must notify Clearstream before 1:00 pm EST with any withdrawal requests for same-day settlement.
- B. Clearstream will notify the FRBNY by email with the amount of the withdrawal request.
- C. FRBNY will advise Clearstream by email if the withdrawal request is approved.⁷
- D. Clearstream will effect the transfer of securities back to the pledging DI.
- E. Around 2:00 pm EST, Clearstream will send a file via email to the FRBNY with the current day's holdings for inclusion in the pledging DIs' DW collateral pools.

³ A pledging DI needs to follow these withdrawal procedures only if the pledging DI is not making a simultaneous substitute deposit of collateral having at least the same value as the withdrawn collateral. The FRBNY does not need to be notified when substituting a security with another security of equal or greater value.

⁴ An authorized individual is someone who is authorized to pledge collateral as indicated on the "Official OC-10 Authorization List". Alternatively, an Authorized Officer (listed on the "Form of Authorizing Resolutions for Borrowers") can submit a list of emails authorized to submit the Euroclear Closing/Price Adjustment forms to FRBNY.

⁵ Note that FRBNY will not permit a withdrawal if the withdrawal amount exceeds the amount of any outstanding Discount Window loan or PSR collateral requirement that an institution may have.

⁶ See footnote 3.

⁷ See footnote 5.