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 ("DIs") to secure borrowings from the Discount Window ("DW") or for payment system risk ("PSR") purposes, subject to certain terms and conditions.

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 document[1] 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").
- This foreign custodian arrangement 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 an arrangement with a foreign custodian, a DI must have the necessary OC10 documentation on file with the FRBNY.

KEY FEATURES[2]

Eligible Security Types	• Brady Bonds • Foreign Government/Sovereign Debt • German Jumbo Pfandbriefe • Supranationals • Foreign Government Agency Debt • Corporate Bonds • Municipal Bonds
Eligible Currencies	• U.S. Dollar (USD) • Australian Dollar (AUD) • Canadian Dollar (CAD) • Swiss Franc (CHF) • Danish Krone (DKK)

[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.

	• Euro (EUR) • British Pound (GBP) • Japanese Yen (JPY) • Swedish Krone (SEK)
Credit Rating Criteria	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.
Deposits of Collateral	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. <u>Deposit/Pledging Deadlines</u> **Euroclear:** For same-day pledge, requests must be submitted to Euroclear prior to 12:15 p.m. EST. **Clearstream:** For same-day pledge, requests must be submitted to Clearstream prior to 1:00 p.m. EST.
Withdrawals of Collateral	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”. <u>Withdrawal Deadlines</u> **Euroclear:** For same-day withdrawal, requests must be submitted to the FRBNY and Euroclear prior to 10:00 a.m. EST using the Euroclear Closing/Price Adjustment form. **Clearstream:** For same-day withdrawal, requests must be submitted to Clearstream prior to 1:00 p.m. EST. Clearstream will route the request to FRBNY for approval as needed.
Substitutions of Collateral	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**.**
Responsibility for Fees and Other Costs	The pledging DI is responsible for all costs and fees associated with the foreign custodial pledging arrangements.
Income Payments	Unless otherwise instructed by the FRBNY, the foreign custodians will transfer income received with respect to a pledged security to the pledging DI.
Redemption Proceeds	Unless otherwise instructed by the FRBNY, the foreign custodians will transfer redemption proceeds with respect to a pledged security to the pledging DI.

Statement of Collateral Holdings	Consolidated collateral statements that report all DW pledges, including loans and securities, are available to DIs upon request. To request collateral statements and other reports, a DI must complete a Collateral Reports Request Form for each intended recipient. It is the responsibility of the DI to manage who has access to collateral reports and inform the FRBNY DW when distribution changes need to be made.
DW Contact Information	For additional information on OC10, collateral eligibility and margins, and collateral pledging mechanics, please refer to the DW/PSR website. For inquiries, please contact the FRBNY DW Staff at: Local number:212-720-5394 Toll-free number: 866-226-5619 General email address: discount.collateral@ny.frb.org