



IMPLEMENTATION OF
MONETARY POLICY OPERATIONS
AND COLLATERAL MANAGEMENT
AT THE BANK OF FINLAND



16 April 2018

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1 INTRODUCTION

These operative instructions specify the following guidelines of the European Central Bank:

- ECB/2014/60, with amending guidelines ECB/2015/20, ECB/2015/27 with corrigendum thereto, ECB/2015/34, ECB/2016/31, ECB/2017/12 and ECB/2018/3.
- ECB/2015/35, with amending guidelines ECB/2016/32 and ECB/2018/4.
- ECB/2014/31, with amending guidelines ECB/2014/46, ECB/2016/33 and ECB/2018/5.

These instructions constitute a part of the Bank of Finland rules on monetary policy operations and collateral that are binding on Bank of Finland counterparties. The instructions define the Bank of Finland's operational requirements for eligible counterparties and review those key national requirements and/or procedures that are related to the open market operations, standing facilities and collateral management but are not included in the ECB's guidelines.

In these instructions, the term 'each NCB' used in part seven of the ECB guideline ECB/2014/60 means the Bank of Finland.

In these instructions, the term 'business day' means the day on which the TARGET2 system is operational.

All references to time in these instructions are to Finnish time.

Bank of Finland contact details are listed in Annex 1.



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2 IMPLEMENTATION OF MONETARY POLICY OPERATIONS AT THE BANK OF FINLAND

2.1 Legal nature of operations (ECB/2014/60, Articles 10 and 18)

In conducting open market operations, the Eurosystem employs reverse transactions, which can be executed as either repurchase agreements or collateralised loans, depending on the contractual and regulatory arrangements applied by the national central bank. Also the provision of liquidity under the marginal lending facility can take the form of either repurchase agreements or collateralised loans. As a rule, the Bank of Finland conducts reverse transactions and provides marginal lending in the form of collateralised loans.

2.2 Implementation of tender operations / eTender

Credit operations are conducted in compliance with tender procedures, and Bank of Finland counterparties submit their tender bids primarily via an electronic bidding system (eTender). Access to the eTender system requires user registration.

A tender announcement will be binding immediately after publication by the ECB of the tender announcement via public wire services and its website. The Bank of Finland assumes no separate responsibility for communication to counterparties. However, Bank of Finland counterparties will be informed of tender announcements by email via the eTender electronic bidding system after publication by the ECB of the announcement. The Eurosystem publishes annually an indicative calendar for regular tender operations on its website.

Bids may be submitted for a minimum bid amount of EUR 1,000,000. Bids must be submitted prior to the deadline for the Market Operations Division of the Bank of Finland's Banking Operations Department, using the eTender electronic bidding system. If the eTender electronic bidding system is unavailable for technical reasons, the contingency procedure is to submit the bids by telephone on +358 9 183 7004 or using the bank-specific line. The bids should then be confirmed, using the pro-forma tender bid form in Annex 2, either by secure email or by fax.

Once the ECB has announced the result of the tender, this is communicated to Bank of Finland counterparties via the eTender electronic bidding system. The communication to each counterparty includes the allotted amount on each bid, the applicable interest rates/prices/swap points and the value date and maturity date for the trades.



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2.3 Operative procedures for standing facilities (ECB/2014/60, Articles 17-23)

Bank of Finland counterparties may access standing facilities to obtain overnight liquidity from the Bank against eligible collateral or to make overnight deposits with the Bank.

2.3.1 Marginal lending facility (ECB/2014/60, Articles 18-20)

A request for accessing the marginal lending facility, including the amount of credit required, must be submitted to the Bank of Finland via a SWIFT message to the BoF-CMS-Cola system. As a contingency procedure, the marginal lending facility can be accessed by submitting a manual assignment form by encrypted email or by fax to the Bank of Finland's TARGET2 customer service. The Bank of Finland's TARGET2 customer service must also be informed by telephone of the use of this contingency procedure.

Overnight liquidity automatically granted via the marginal lending facility is credited as at the close of the business day and debited on the following business day when the TARGET2 system becomes operational. Specifically requested overnight liquidity is credited upon request and debited on the following business day when the TARGET2 system becomes operational.

2.3.2 Deposit facility (ECB/2014/60, Articles 21-23)

Counterparties may make overnight deposits via the TARGET2 user interface at any time during the business day. If, for some reason, the TARGET2 user interface is not accessible, overnight deposits can be made by submitting a manual assignment form by encrypted email or by fax to the Bank of Finland's TARGET2 customer service. The Bank of Finland's TARGET2 customer service must also be informed by telephone of the use of this contingency procedure.

Overnight deposits are debited at the time they are made and maturing deposits are credited on the following business day when the TARGET2 system becomes operational.



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2.4 Payment and settlement procedures for monetary policy operations (ECB/2014/60, Articles 49-54)

Payments related to open market operations and standing facilities are settled via counterparties' TARGET2 PM accounts. Confirmations related to the operations must be submitted and checked without delay.

Counterparties must make payments in respect of maturing trades to the Bank of Finland by 12 noon (this deadline does not apply to same-day transactions). The Bank of Finland effects its own credits in the morning after the TARGET2 system has opened for business, but no later than 12 noon, provided the securities deliveries for outright transactions or collateral posted for liquidity-providing reverse transactions are in order.

Same-day payments related to same-type new and maturing liquidity-providing regular reverse transactions (main refinancing operation or longer-term refinancing operation) are normally netted, so that only one payment is made between the parties involved.

2.5 Bank of Finland's operational requirements for eligible counterparties (ECB/2014/60, Article 55)

The Bank of Finland requires that a counterparty wishing to participate in the Eurosystem's open market operations and to have access to standing facilities via the Bank of Finland must sign the counterparty agreement and pledge agreement for collateral with the Bank of Finland. In addition, counterparties are required to open a PM account in the TARGET2-Suomen Pankki system. Counterparties' submit bids for operations executed by means of tender procedures via the eTender electronic bidding system. Counterparties must also adopt the BoF-CMS-Cola collateral management system.



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3 IMPLEMENTATION OF COLLATERAL MANAGEMENT AT THE BANK OF FINLAND

3.1 General principles (ECB/2014/60, Articles 58 and 144 a)

All types of credit granted by the Bank of Finland must be backed by a sufficient amount of eligible underlying assets. In its collateral management, the Bank of Finland uses a pooling system. This means that the Bank of Finland collects all eligible assets provided by one counterparty into a pool from which the counterparty's total collateral requirement can be covered.

Legally, the procedure constitutes collateralised lending, involving the pledging of collateral to the Bank of Finland. This requires conclusion of a pledge agreement with the Bank of Finland. In using foreign collateral assets, it may exceptionally be necessary to conduct an earmarked repurchase transaction or to apply other procedures if pledging is not possible.

A pool consists of domestic and foreign assets. Such collateral may consist of marketable debt instruments or non-marketable assets.

The total collateral requirement comprises the open market operations transacted with the Bank of Finland, liquidity obtained via the marginal lending facility, including interest on both, and the intraday overdraft limit on the TARGET2 PM account. The assets submitted as collateral must cover the total collateral requirement at any time.

The Bank of Finland will extend a credit to a counterparty or a counterparty may raise the intraday overdraft limit on its TARGET2 PM account only if the value of the counterparty's pool of assets is at least equal to the total collateral requirement. In calculating the total collateral value of the asset pool, Bank of Finland counterparties must take into account the impact of applicable risk control measures, such as valuation haircuts, on the value of collateral. In exceptional cases, the Bank of Finland may reduce the PM account limit if the limit is not in full use and the counterparty itself has not reduced the limit.

Any redemptions and coupon payments related to domestic and foreign marketable assets pledged to the Bank of Finland will be paid to the counterparty, provided such payment does not result in a collateral deficit in the counterparty's pool.

Counterparties must ensure the timely payment of any amount of negative cash flows related to eligible assets submitted to the Bank of Finland as collateral. If a counterparty fails to comply with this obligation, the counterparty is obliged to refund the Eurosystem, immediately upon request from the Bank of Finland, any payment already made by the Eurosystem as a result of negative cash flows.

Bank of Finland monetary policy counterparties and TARGET2 PM account holders with access to intraday credit must adopt the BoF-CMS-Cola collateral management system provided by the Bank of Finland. More detailed instructions on the use of the system are available via the Bank of Finland's extranet service.



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3.1.1 Features of the guarantee (ECB/2014/60, Article 114)

A guarantee issued for marketable or non-marketable assets must, in respect of its terms, be a surety, i.e. a guarantee where the guarantor is liable for the principal debt as if it were the guarantor's own (omavelkainen takaus), as defined in the Finnish Act on Guaranties and Third-Party Pledges (361/1999).

3.2 Eligibility criteria

3.2.1 Marketable assets

The eligibility criteria for marketable assets are described in full in the ECB guidelines.

3.2.2 Non-marketable assets

This section describes the specifications applicable to Bank of Finland counterparties in respect of the ECB guideline regarding eligibility criteria for non-marketable assets.

3.2.2.1 Minimum size of domestic credit claims (ECB/2014/60, Article 93)

The Bank of Finland applies a minimum size threshold of EUR 500,000 on credit claims for domestic usage. Credit claims must meet the threshold at the time of their submission as collateral.

3.2.2.2 Additional legal requirements for credit claims (ECB/2014/60, Article 99)

The additional legal requirements set by the Eurosystem for credit claims are described in Articles 99–105 of the ECB guideline. The Bank of Finland's requirements beyond those prescribed in the ECB guideline are described in sections 3.2.2.3.–3.2.2.5 below.

3.2.2.3 Verification of the existence of credit claims (ECB/2014/60, Article 101)

In order to obtain a written quarterly confirmation as referred to in paragraph 1. (a) of Article 101 of the ECB guideline, the Bank of Finland sends quarterly to each counterparty a list of the credit claims it has submitted as collateral. Upon receipt of such list, the counterparty must verify and confirm in writing the fulfilment of the requirements defined in subparagraphs (i)–(iv) of the Article.

In connection with random checks as referred to in paragraph 1. (b) of Article 101, the Bank of Finland or, as mandated by the Bank of Finland, the financial supervisory authority or an external auditor also checks the accuracy and timeliness of the information provided on the credit claims submitted as collateral, and the counterparty's procedures for submitting such information to the Bank of Finland on credit claims used as collateral, and the counterparty's procedures for storing credit claims pledged to the Bank of Finland. In general, the counterparty is notified in advance of such an investigation visit and of the date as at which credit claim details are to be verified.



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3.2.2.4 Full effect of the mobilisation vis-à-vis third parties (ECB/2014/60, Article 103)

According to Finnish legislation, a precondition for pledging ordinary promissory notes is that the debtor (and any guarantor) has been notified of the pledging of such promissory notes in advance (ex ante notification). Bank of Finland counterparties must inform their debtors (and any guarantor) in advance of their intention to pledge ordinary promissory notes to the benefit of the Bank of Finland. A copy of such notification must also be submitted to the Bank of Finland.

Debtors (and any guarantor) need not be notified in advance of the pledging of negotiable promissory notes, but the credit documentation must be validated by a separate endorsement. In the event of a counterparty's insolvency or failure to fulfil the obligations for which a credit claim serves as collateral, the Bank of Finland submits to the debtor (and any guarantor) a notification indicating the pledging of the credit claim to the benefit of the central bank and including new payment instructions.

3.2.2.5 Exclusion of set-off risk (ECB/2014/60, Article 104, paragraph 3a)

According to section 28 of the Finnish Promissory Notes Act (1947/622), the debtor of an ordinary promissory note may, in certain circumstances, set off a claim that he has against the creditor.

Where a credit claim in the form of an ordinary promissory note is pledged as collateral, either the credit claim agreement or a separate amendment thereto [between a counterparty and a debtor] must include a clause under which any set-off is prohibited during the period in which the credit claim is pledged to the Bank of Finland or any other Eurosystem central bank.

3.2.2.6 Absence of restrictions concerning banking secrecy and confidentiality (ECB/2014/60, Article 105)

Bank of Finland counterparties must not be obliged to obtain debtor consent for disclosure of such credit claim and debtor details that are required by the Bank of Finland for the purpose of ensuring that valid security is created for credit claims and that the credit claims can be swiftly realised in the event of a counterparty default. If banking secrecy regulations prevent the disclosure of such information, the counterparty and the debtor must agree contractually that the debtor unconditionally consents to the disclosure of such details about the credit claim and the debtor to the Eurosystem.

According to the Bank of Finland's interpretation, section 26 of the Act on the Bank of Finland (2014/1998) is not a sufficient legal basis to invalidate a credit institution's secrecy obligations regarding its customer. The Bank of Finland requires that, in the case of a debtor of credit claims currently used as collateral, a contractual agreement consenting to the disclosure of confidential information be made between the counterparty and the debtor by 30 April 2019, at the latest. In pledging new credit claims as collateral, this requirement must be fulfilled as of 16 April 2018.



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3.2.3 Collateral as defined in guideline ECB/2014/31

The Bank of Finland does not accept as collateral for Eurosystem credit operations the following assets defined in the ECB guideline ECB/2014/31:

- certain additional asset-backed securities as defined in Article 3, paragraph 5
- certain additional credit claims as defined in Article 4
- certain short-term debt instruments as defined in Article 5.

3.3 Valuation rules for eligible assets (ECB/2014/60, Articles 134-135)

Foreign and domestic marketable assets are valued by the Bank of Finland daily on the basis of price data received from the Common Eurosystem Pricing Hub (CEPH) and the calculation rules based on current risk control measures. If the valuation results in a collateral deficit in a counterparty's pool, the counterparty must cover the deficit without delay.

The Bank of Finland values non-marketable assets on the basis of the outstanding credit amount.

3.4 Domestic use of eligible assets

3.4.1 Procedures concerning domestic marketable assets

The Bank of Finland administers domestic marketable assets via the counterparty's book-entry account opened in the Bank of Finland's book-entry register in Euroclear Finland's Infinity system.

In order to use domestic marketable assets as collateral, Bank of Finland counterparties must submit a request to the Bank of Finland for opening an account. The Bank of Finland will then open a book-entry account in its book-entry register.

In delivering domestic marketable assets for its collateral pool, a Bank of Finland counterparty must submit information on the collateral assets via a SWIFT message to the BoF-CMS-Cola collateral management system in accordance with the Bank of Finland's instructions. At the same time, the counterparty must instruct Euroclear Finland's Infinity system to effect the transfer of collateral to the counterparty's book-entry account in the Bank of Finland's book-entry register. The assets can be considered as being duly pledged to the benefit of the Bank of Finland and added to the pool of the counterparty only after the Bank of Finland has received confirmation from Euroclear Finland of the execution of the transfer and all requirements of a legally valid pledge have been met.

Similarly, counterparties may withdraw from the pool or replace domestic assets in the pool by sending the relevant information via SWIFT to the BoF-CMS-Cola collateral management system and to Euroclear Finland. However, such withdrawal or replacement of collateral must not result in a collateral deficit in the counterparty's pool.



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3.4.2 Procedures concerning domestic non-marketable assets (ECB/2014/60, Article 98)

3.4.2.1 Principles for the use of domestic credit claims as collateral

All Eurosystem national central banks have developed procedures for managing domestic credit claims, in accordance with the requirements of their respective national legislation and operating environment.

Prior to the use of credit claims as collateral, Bank of Finland counterparties must ensure that they fulfil the technical and operative requirements according to these instructions for the use of credit claims as collateral and that the credit claims they submit as collateral meet the legal and other requirements.

In order to use credit claims as collateral, a counterparty must provide details of each credit claim it uses as collateral to the Bank of Finland, which manages such information in its own systems. The counterparty undertakes to provide timely information on credit claims that it submits as collateral and to comply with the instructions of the Bank of Finland for addition of credit claims to the counterparty's pool of assets, update of credit claim data and withdrawal of credit claims from the pool.

During such time when credit claims are being used as collateral, they constitute a part of the counterparty's pool, in the manner of marketable eligible assets. For administrative reasons, the handling of credit claims may be slower than that of marketable eligible assets. Counterparties must therefore be prepared to submit other collateral assets, if necessary, to cover any collateral deficits that may arise.

3.4.2.2 Operative preconditions for the use of credit claims as collateral

The use of credit claims as collateral requires that the following technical and operative measures have been taken:

- The counterparty has signed a separate pledge agreement on credit claims with the Bank of Finland.
- The counterparty has obtained approval from the Bank of Finland for the system(s) it uses to assess debtors' or guarantors' creditworthiness.
- The counterparty has submitted to the Bank of Finland information on the static pool of eligible debtors and guarantors if the counterparty intends to use an internal rating-based method for credit assessment.
- The counterparty has submitted to the Bank of Finland a description of the procedures by which the counterparty intends to provide the Bank of Finland with details of credit claims used as collateral and of the procedures by which the counterparty intends to store credit claims pledged to the Bank of Finland, and the Bank of Finland has approved the said description.
- The counterparty has submitted to the Bank of Finland the required specimen signatures relating to the use of credit claims as collateral.



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- The counterparty has undertaken the necessary testing with the Bank of Finland regarding the delivery and use of collateral.

The Bank of Finland requires notifications by counterparties of all changes they make to their procedures for submitting information on credit claims used as collateral.

3.4.2.3 Use of credit claims as collateral

In order to use credit claims as collateral, a counterparty must provide details of each credit claim it uses as collateral to the Bank of Finland, which manages such information in its own systems. The information may be submitted via SWIFTNet FileAct, using an electronic template/format message, or sent on a form by encrypted email or by fax. The form used for submitting credit claim details ("*Notification of pledge concerning credit claims*") is provided in Annex 3. The form specifies the information required on each credit claim. In addition to the required information, the counterparty must indicate on the form the measures taken regarding the credit claims: the addition of a new credit claim to the pool of assets, updating of previously supplied credit claim details or the withdrawal of credit claims from the pool.

When the counterparty provides details of a new credit claim to the Bank of Finland, the Bank of Finland will enter the information in its own registers. Prior to addition of a credit claim to the counterparty's pool of assets, the measures related to its pledging must also have been duly completed (see section "Pledge of credit claims and unwinding of pledge").

The counterparty must update the details of credit claims in its collateral pool whenever changes occur e.g. due to early, partial or full repayment of a credit claim or because of changes in creditworthiness or material changes in the terms and conditions of credit claims. The Bank of Finland must be immediately notified of such changes, in no case later than the following business day. If a change in the details of a credit claim leads to the ineligibility of the credit claim, the counterparty must request withdrawal of the credit claim from the pool. If changes made to the terms and conditions of a credit claim are so fundamental that the credit claim can no longer be considered the same claim, the old credit claim must first be withdrawn from the counterparty's pool and a new pledge signed in respect of the new credit claim.

If the counterparty wishes to withdraw a credit claim from its collateral pool, it must so inform the Bank of Finland, using an electronic template/format message or the form "Notification of pledge concerning credit claims" and choosing "Unwinding of pledge" as the measure to be taken. This measure leads to the removal of the collateral value of the credit claim from the counterparty's pool. After this, the counterparty must take due measures related to the unwinding of the pledge (see section "Pledge of credit claims and unwinding of pledge"). In withdrawing credit claims from its pool of assets or sending updated details of credit claims that reduce the collateral value of credit claims, the counterparty must ensure that such measures do not lead to a collateral deficit in its pool.



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The counterparty may send the form "Notification of pledge concerning credit claims" to the Bank of Finland by encrypted email or by fax. The Bank of Finland's TARGET2 customer service must also be informed by telephone of such dispatch of information. Counterparties may also provide corresponding credit claim details via SWIFTNet FileAct using an electronic template/format message specified by the Bank of Finland in separate instructions. Further instructions for the introduction of the electronic template/format message may be requested from the Bank of Finland. If the template/format message does not comply with the current Bank of Finland specifications, the Bank of Finland will not be liable for any possible damages arising therefrom.

The counterparty may send credit claim details to the Bank of Finland during the opening hours of TARGET2- Suomen Pankki; but data to be updated on the same day must be delivered by 17.00 Finnish time. The Bank of Finland updates information on credit claims already serving as collateral and withdraws credit claims from the counterparty's pool, as per counterparty instructions, on the day the instructions arrive at the Bank of Finland. Normally, additions of new credit claims to a counterparty's pool of assets are also made during the same day. However, additions of credit claims require, in addition to submission of credit claim information, finalisation of the pledging procedure. If, for administrative reasons, the handling of a new credit claim requires more time and the Bank of Finland is unable to add the new credit claim to the counterparty's pool on the day of submission of credit claim information, the Bank of Finland will inform the counterparty thereof and the addition will be made as soon as possible.

3.4.2.4 Pledge of credit claims and unwinding of pledge

Under Finnish legislation, the measures required for pledging credit claims depend on the juridical type of the underlying promissory notes.

The precondition for using ordinary promissory notes as collateral is that the debtor (and any guarantor) has been notified of their use as collateral in advance (ex ante notification). The counterparty must submit the notification to the debtor in a manner agreed with the debtor. The notification must state that payments of interest and principal will continue to be made to the counterparty. The counterparty must submit a copy of the notification to the Bank of Finland after the notification has become effective according to the time limits agreed between counterparty and debtor. The credit claim can be added to the counterparty's pool of assets as soon as the Bank of Finland has received a copy of the notification. Similarly, when the counterparty notifies the Bank of Finland of withdrawal of a credit claim from its pool and the pledge between the parties concerned is considered to be terminated, the Bank of Finland will give written permission to the counterparty to notify the debtor (and any guarantor) of termination of the pledge.



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The precondition for using negotiable promissory notes as collateral is that the counterparty makes a separate endorsement on the original credit documents to the benefit of the Bank of Finland. A copy of the endorsement must also be delivered to the Bank of Finland. Upon termination of the pledge, the original endorsement must be delivered by mail, as a registered letter, to the Bank of Finland, which then transfers the credit documentation back to the counterparty. After this, the Bank of Finland posts the original endorsement back to the counterparty.

Counterparties must store credit documents and endorsements on their premises with due diligence and due care.

Despite pledging, the customer relationship between counterparty and debtor remains unchanged, that is, the debtor continues to make payments of interest and principal to the counterparty. In the event of a counterparty's insolvency or failure to fulfil an obligation for which the credit claim serves as collateral, the Bank of Finland will deliver an ex post notification to the debtor, indicating the use of the credit claim as collateral to the benefit of the central bank and requesting the debtor to make future payments of interest and principal on the credit claim to the Bank of Finland. In such a case, the counterparty must deliver all necessary documents to the Bank of Finland.

3.4.2.5 Syndicated loan shares

Bank of Finland counterparties may use syndicated loan shares as collateral in accordance with ECB guideline ECB/2014/60. Counterparties must apply the utmost diligence in assessing the eligibility of syndicated loan shares. In addition to other conditions pertaining to non-marketable credit claims, syndicated loan shares must fulfil the Bank of Finland's requirements specified below. The Bank of Finland may require additional information on syndicated loan shares to ensure their eligibility.

Contrary to other non-marketable credit claims, the Bank of Finland checks in advance all details of a syndicated loan share and the related loan documentation in full prior to adding the loan share to the counterparty's pool of assets. Any documentation relating to syndicated loan shares must be submitted to the Bank of Finland by encrypted email.

Counterparties may propose the mobilisation as collateral of only one syndicated loan share at a time. If the Bank of Finland accepts the loan documentation, the verification form, the external legal assessment and the transfer document, it sends an email notification stating that the counterparty has permission to submit the details of the syndicated loan share as specified in sections 3.4.2.3 and 3.4.2.4.



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3.4.2.5.1 Description of the management process for syndicated loan shares

The Bank of Finland requires counterparties to provide a description of their procedures for ensuring the eligibility of syndicated loan shares in accordance with ECB guideline ECB/2016/60 and the eligibility criteria specified in sections 3.4.2 and 3.5.2 of these instructions. Such a description is required whenever (i) a counterparty grants a syndicated loan, (ii) a counterparty submits to the Bank of Finland a syndicated loan share to be used as collateral and (iii) a syndicated loan share is being used as collateral for the Bank of Finland. The Bank of Finland requires notifications by counterparties of any changes they make to their procedures for providing information on syndicated loan shares used as collateral.

3.4.2.5.2 External legal eligibility assessment

The Bank of Finland requires counterparties to obtain from an external lawyer a written legal statement of the eligibility of a syndicated loan share, which must be sent to the Bank of Finland prior to submitting the loan share to be used as collateral. Counterparties are responsible for ensuring that the provider of the assessment is sufficiently competent and independent to deliver a reliable legal assessment. Irrespective of the legal assessment, counterparties must ascertain that syndicated loan shares fulfil the Bank of Finland's eligibility criteria. Requirements pertaining to an external legal eligibility assessment are available on request from the Bank of Finland or via the extranet service.

3.4.2.5.3 Verification form and copies of original loan documentation

Prior to delivering a syndicated loan share to be used as collateral, a counterparty must submit to the Bank of Finland a verification form concerning the details of the syndicated loan share. An up-to-date verification form is available on request from the Bank of Finland or via the extranet service. In submitting the verification form, the counterparty must also submit copies of full documentation concerning the syndicated loan share, and of any related contracts, incl. the loan-related contractual agreements between the members of the syndicate.

3.4.2.5.4 Transfer document

Prior to pledging a syndicated loan share as collateral, a counterparty must submit to the Bank of Finland a copy of a transfer document enabling the transfer of the syndicated loan share. The transfer is effected only if the counterparty fails to comply with its obligations and the Bank of Finland decides to transfer the syndicated loan share to itself or a third party.

Counterparties are under all circumstances responsible for the transfer fee payable to the agent of the syndicate. The Bank of Finland has the right to debit a counterparty's TARGET2 PM account with a sum corresponding to the transfer fee charged by the syndicate's agent for the transfer of a syndicated loan share.



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3.5 Cross-border use of eligible assets (ECB/2014/60, Articles 148–152)

Bank of Finland counterparties may use eligible assets located in another euro area Member State ("foreign eligible assets") throughout the euro area for all types of Eurosystem credit operations in accordance with the ECB guideline ECB/2014/60. This section specifies the operative procedures for the mobilisation of foreign eligible assets in respect of Bank of Finland counterparties.

[3.5.1 Correspondent central banking model \(ECB/2014/60, Article 149\)](#)

In delivering eligible marketable assets for its collateral pool via the correspondent central banking model (CCBM), a Bank of Finland counterparty must submit information on the collateral assets via a SWIFT message to the BoF-CMS-Cola collateral management system in accordance with the Bank of Finland's instructions. At the same time, the counterparty must also instruct its custodian to transfer the assets to the appropriate correspondent central bank, for holding on the Bank of Finland's account. Only after the Bank of Finland is informed by the correspondent central bank that a transfer has been completed and that all requirements of a legally valid pledge have been met, are the assets effectively pledged to the Bank of Finland and added to the pool of the counterparty.

Similarly, a counterparty may withdraw from the pool or replace foreign marketable assets in the pool by sending the relevant information via SWIFT to the BoF-CMS-Cola collateral management system and by instructing its own custodian accordingly. The Bank of Finland transfers the assets to the custodian indicated by the counterparty. However, such withdrawal or replacement of collateral must not result in a collateral deficit in the counterparty's pool.

[3.5.2 Correspondent central banking model and tri-party collateral management services \(ECB/2014/60, Article 152\)](#)

Bank of Finland counterparties may use Euroclear Bank's tri-party collateral management services via the correspondent central banking model (CCBM). Access to the tri-party collateral management services requires conclusion of an agreement between the counterparty, Euroclear Bank and the Belgian central bank operating as the correspondent central bank. The amount of collateral assets delivered to the Bank of Finland is managed via the BoF-CMS-Cola collateral management system. More information on access to the tri-party collateral management services and the related requirements can be obtained from the Bank of Finland.

[3.5.3 Foreign non-marketable assets](#)

Bank of Finland counterparties may also use as collateral such non-marketable assets that are governed by the law of a euro area Member State other than Finland. These foreign credit claims may be used as collateral via the correspondent central banking model (CCBM). If Bank of Finland counterparties use such foreign credit claims as collateral, they must deliver the information required for their use as collateral to the relevant correspondent central bank and confirm the existence of a legally valid pledge of the credit claims, according to instructions from the correspondent central bank.



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Bank of Finland counterparties must also take into account that if credit claims – even those subject to Finnish law – have been granted to foreign debtors, their use as collateral may require specific measures under foreign legislation. In such cases, the central bank of the country where the debtor is located acts as an assisting central bank and provides, if necessary, information on additional measures that may be required under the legislation of the country concerned.

3.6 Specific procedures related to foreign assets**3.6.1 Taxation of foreign marketable debt instruments and related corporate actions**

The counterparty is responsible for knowing the taxation principles applicable to foreign debt instruments mobilised as collateral. If the counterparty submits as collateral under the correspondent central banking model (CCBM) debt instruments on which the interest income is subject to withholding tax, the counterparty must be able to prove its tax status. The correspondent central bank involved may, prior to the coupon detachment date, request that the Bank of Finland provide it with documentation certifying the tax status. The Bank of Finland will forward the request to the counterparty, which must deliver the documentation to the Bank of Finland by the specified deadline.

The Bank of Finland will forward the documentation required for taxation purposes to the correspondent central bank to the best of its ability, consistent with due diligence. If, despite this, damage ensues or if the counterparty fails to submit the required documentation for proof of tax status or if there are defects in the documentation submitted, the Bank of Finland will not assume responsibility for any tax withholding or tax reimbursement consequences.

The Bank of Finland recommends that, in periods of coupon payments, counterparties avoid the use of collateral assets for which the coupon payments comprise interest income subject to withholding tax, which are denominated in currencies other than the euro or which have a negative cash flow.

The Bank of Finland will forward notices of corporate actions from the correspondent central bank to the counterparty. If the counterparty wishes to be party to the corporate action, the Bank of Finland will forward the documentation received from the counterparty to the correspondent central bank to the best of its ability, consistent with due diligence.

3.6.2 Taxation of marketable debt instruments issued by entities established in non-EEA G10 countries and related corporate actions

In addition to what is provided above concerning taxation procedures related to foreign marketable debt instruments, counterparties must take account of any particular tax-related matters concerning debt instruments issued by entities established in non-EEA G-10 countries. If the counterparty mobilises as collateral debt instruments on which the interest income is subject to withholding tax, the Bank of Finland must be provided with documentation certifying the counterparty's own tax status in sufficiently good time prior to the delivery of such debt instruments as collateral.



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In order to ensure smooth functioning of operational processes, the counterparty may use only such collateral assets in respect of which the counterparty is itself the beneficial owner or in respect of which it acts as Qualified Intermediary (the latter option concerns only US issues). The Bank of Finland reserves the right to deviate from this principle on the basis of a separate application from the counterparty.

Counterparties that intend to mobilise as collateral debt instruments issued by entities established in non-EEA G-10 countries are requested to contact the Bank of Finland in good time for further instructions.

3.7 Collateral management opening hours and deadlines

The Bank of Finland's Collateral Management observes the opening hours of TARGET2-Suomen Pankki. The user interface of the BoF-CMS-Cola collateral management system is also available during the opening hours of TARGET2-Suomen Pankki.

Foreign collateral may be increased or decreased during the opening hours of the correspondent central banking model (CCBM) (ECB guideline ECB/2014/60, Annex VI).

The counterparty may send domestic credit claim details to the Bank of Finland during the opening hours of TARGET2- Suomen Pankki; but data to be updated on the same day must be delivered by 17.00 Finnish time.

3.8 Collateral management fees

The Bank of Finland collects the following fees, as determined by the ECB, in respect of collateral (marketable and non-marketable assets) delivered via the CCBM system:

- A safe-keeping and management fee of 0.0069% p.a. of the average nominal value of collateral
- A transaction fee of EUR 30 for each addition to the pool, per collateral asset
- A monthly fee of EUR 50 for each tri-party collateral management service used and a transaction fee of EUR 30 for each change in the global amount of collateral.

The collateral management fees for book-entry accounts opened in the Bank of Finland's book-entry register in Euroclear Finland's Infinity system correspond to those charged in connection with the CCBM system.

The Bank of Finland charges a handling fee for using domestic credit claims, amounting to 0.0020% p.a. of the collateral value of credit claims serving as collateral.

If necessary, the Bank of Finland may offer to its counterparties 8 RSA SecurID cards for accessing the BoF-CMS-Cola collateral management system (test and production environments). Subsequently, the charge for each new RSA SecurID card will be EUR 30 per month.

The Bank of Finland invoices counterparties monthly in arrears for collateral management fees.



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Unrestricted**APPENDIX 1. BANK OF FINLAND CONTACT DETAILS****Monetary policy operations**

tel. +358 9 183 7004
tel. (backup) +358 50 387 0389/0390 (in case of telephone-line disturbance)
fax +358 9 626 038
email operations@bof.fi
etender@bof.fi (registration process for eTender)

Settlements related to monetary policy operations

tel. +358 9 183 2234
fax +358 9 627 291
email settlements@bof.fi

Collateral Management and TARGET2 customer service

tel. +358 9 183 6736
fax +358 9 183 2177
email t2service@bof.fi
eligibleassets@bof.fi (eligibility and risk management)

Legal matters, Eija Brusila

tel. +358 9 183 2786
email legal@bof.fi



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Bids must be submitted before the deadline by phone (+358 9 183 7004).

In addition, the bids must be confirmed either by secure email to operations@bof.fi or by fax immediately after submission.

Fax: +358 9 626 038**Counterparty name****Tender reference number**

Bids	
Amount (in millions)	Rate*/ swap point

*For a variable rate tender, enter the bids in the list by filling in the bid amount (in millions) and the interest rate bid (maximum of two decimals) or swap point quotation.

Total bid amount	Minimum rate *)	Maximum rate*)

Date: _____

Signature (and clarification): _____

Tel: _____



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APPENDIX 3. NOTIFICATION OF PLEDGE CONCERNING CREDIT CLAIMS

NOTIFICATION OF PLEDGE CONCERNING CREDIT CLAIMS

Recipient

Bank of Finland

Tel.: +358 9 183 6736

TARGET2 / Collateral Management customer service

Fax: +358 9 183 2177

SENDER DETAILS

Name	
Counterparty	
Telephone	

SUBMISSION OF CREDIT CLAIM DETAILS

Credit claim ID			
Action	<input type="checkbox"/> New pledge	<input type="checkbox"/> Data update	<input type="checkbox"/> Unwinding of pledge
Submission date			

CREDIT CLAIM DETAILS

Date of signing of agreement		
Date of maturity		
Outstanding amount	EUR	
Legal nature of the credit claim in Finnish legislation	<input type="checkbox"/> Ordinary promissory note	<input type="checkbox"/> Negotiable promissory note
Law governing the credit claim		
Coupon type	<input type="checkbox"/> Fixed or zero rate	<input type="checkbox"/> Floating rate
Resetting period in the case of floating rate loans	<input type="checkbox"/> ≤ 1 year	<input type="checkbox"/> > 1 year

DEBTOR DETAILS

Name					
Business ID					
Country of location					
Sector of business	<input type="checkbox"/> Central government	<input type="checkbox"/> Other general govt	<input type="checkbox"/> Corporation: non-financial, non-insurance		
Credit risk assessment source	<input type="checkbox"/> Internal ratings-based system (IRBA)	<input type="checkbox"/> Moody's	<input type="checkbox"/> S&P	<input type="checkbox"/> Fitch	<input type="checkbox"/> DBRS
	<input type="checkbox"/> General govt class (PSE) 1	<input type="checkbox"/> General govt class (PSE) 2	<input type="checkbox"/> Third-party rating tool (RT)		
PD% / credit rating					
IRB credit assessment date					



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GUARANTOR DETAILS

Name					
Business ID					
Country of location					
Sector of business	<input type="checkbox"/> Central government	<input type="checkbox"/> Other general govt.	<input type="checkbox"/> Corporation (non-fin., non-ins.)		
Credit risk assessment source	<input type="checkbox"/> Internal ratings-based system (IRBA)	<input type="checkbox"/> Moody's	<input type="checkbox"/> S&P	<input type="checkbox"/> Fitch	<input type="checkbox"/> DBRS
	<input type="checkbox"/> General govt. class (PSE) 1	<input type="checkbox"/> General govt. class (PSE) 2	<input type="checkbox"/> Third-party rating tool (RT)		
PD% / credit rating					
IRB credit assessment date					

GUARANTOR DETAILS

Name					
Business ID					
Country of location					
Sector of business	<input type="checkbox"/> Central government	<input type="checkbox"/> Other general govt.	<input type="checkbox"/> Corporation (non-fin., non-ins.)		
Credit risk assessment source	<input type="checkbox"/> Internal ratings-based system (IRBA)	<input type="checkbox"/> Moody's	<input type="checkbox"/> S&P	<input type="checkbox"/> Fitch	<input type="checkbox"/> DBRS
	<input type="checkbox"/> General govt. class (PSE) 1	<input type="checkbox"/> General govt. class (PSE) 2	<input type="checkbox"/> Third-party rating tool (RT)		
PD% / credit rating					
IRB credit assessment date					

GUARANTOR DETAILS

Name					
Business ID					
Country of location					
Sector of business	<input type="checkbox"/> Central government	<input type="checkbox"/> Other general govt.	<input type="checkbox"/> Corporation (non-fin., non-ins.)		
Credit risk assessment source	<input type="checkbox"/> Internal ratings-based system (IRBA)	<input type="checkbox"/> Moody's	<input type="checkbox"/> S&P	<input type="checkbox"/> Fitch	<input type="checkbox"/> DBRS
	<input type="checkbox"/> General govt. class (PSE) 1	<input type="checkbox"/> General govt. class (PSE) 2	<input type="checkbox"/> Third-party rating tool (RT)		
PD% / credit rating					
IRB credit assessment date					

SIGNATURES (and names in block letters)

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INSTRUCTIONS FOR COMPLETING THE NOTIFICATION OF PLEDGE CONCERNING CREDIT CLAIMS

All compulsory fields must be filled in every time.

Sender details

Name and telephone number of the person and counterparty submitting the notification of pledge are compulsory fields.

Submission of credit claim details

All fields concerning the delivery of credit claims are compulsory.

'Credit claim ID': Identification code, which must remain the same and be known to the bank and debtor.

'Action': New pledge = addition of a new credit claim to the pool of assets. Data update = updating of information due to changes in credit details. Unwinding of pledge = removal of credit claim from the pool of assets.

'Submission date': Date when notification of pledge was sent to the Bank of Finland.

Credit claim details

All fields concerning the credit claim details are compulsory.

'Date of signing of agreement': Date of signing of the promissory note. Note that the credit claim is eligible as collateral only after it is drawn.

'Date of maturity': Date when the last instalment of the credit claim falls due in accordance with the valid payment plan.

'Outstanding amount': The amount of the loan still due, EUR XXX. At the time of submission for use as collateral, the outstanding amount of a credit claim must amount to EUR 500 000 at a minimum.

'Legal nature of the credit claim in Finnish legislation': Indicate whether the promissory note is ordinary or negotiable. This determines the measures needed for pledging of the credit claim.

'Law governing the credit claim': Two-letter ISO country code.

'Coupon type': Indicate whether the rate is fixed or floating.

'Resetting period in the case of floating rate loans': For loans with a floating rate, specify whether the coupon rate is determined more or less frequently than once a year.

Debtor details

The following fields are always compulsory: 'Name', 'Business ID', 'Country of location' and 'Sector of business'. The business identity code consists of seven digits, a hyphen and an inspection number, e.g. 1234567-8. The country of location is a two-letter ISO country code. The fields 'Credit risk assessment source', 'PD% / credit rating' and 'IRB credit assessment date' can be left empty if the counterparty is accepting the loan as collateral on the basis of the credit worthiness of the guarantor rather than the debtor.



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'Credit risk assessment source': Indicate the relevant credit risk assessment source, which must have prior approval from the Bank of Finland. General government entities, as referred to in the Capital Requirements Regulation, without a public credit rating and having the same FIN-FSA capital adequacy risk value as central government are assigned General government class 1. General government entities without a public credit rating and having the same FIN-FSA capital adequacy risk value as credit institutions are assigned General government class 2.

'PD% / credit rating': Fill in the default probability of debtor with accuracy of three decimals, e.g. 0.100%, or give the credit rating of an external credit assessment institution, such as A3 or A-. The PD% or credit rating is not needed if the credit assessment source is General government class 1 or 2.

'IRB credit assessment date': If the credit assessment source is an internal ratings-based system, the date of the credit assessment must be given. If the source is of other type, this field can be left empty.

Guarantor details¹

If the loan has a guarantor, the following fields are always compulsory: 'Name', 'Business ID', 'Country of location' and 'Sector of business'. The business identity code consists of seven digits, a hyphen and an inspection number, e.g. 1234567-8. The country of location is a two-letter ISO country code.

The fields 'Credit risk assessment source', 'PD% / credit rating' and 'IRB credit assessment date' are compulsory, if the eligibility of the loan is determined on the basis of the creditworthiness of the guarantor. In this case, the counterparty must submit to the Bank of Finland in advance a guarantee and/or a legal confirmation of a form and content acceptable to the Eurosystem. A copy of a pro forma legal confirmation can be obtained from the Bank of Finland.

'Credit risk assessment source': Indicate the relevant source. Note that prior approval for use of the source must be obtained from the Bank of Finland.

'PD% / credit rating': Fill in the default probability of guarantor with accuracy of three decimals, e.g. 0.100%, or give the credit rating of an external credit assessment institution, such as A3 or A-. The PD% or credit rating is not needed if the credit assessment source is General government class 1 or 2.

'IRB credit assessment date': If the credit assessment source is an internal ratings-based system, the date of the credit assessment must be given. If the source is of other type, this field can be left empty.

¹ If a credit claim has several guarantors, details of all these guarantors must be submitted to the Bank of Finland.