## Table 4. Overview of collateral eligibility requirements within regulatory frameworks (status 01.01.2015)

| | | | Centrally cleared OTC transactions | | Non-cleared OTC transactions | | Liquidity coverage requirement | | |
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| Eligibility criteria | CPSS-IOSCO PFMI | SIPS Eurosystem requirements | EU: EMIR RTS for CCPs | US: DFA Final rule on DCO | EU : EMIR RTS for non-cleared OTCD (DRAFT) | US: DFA rule on non-cleared swaps (DRAFT) | LCR Basel III | EU: LCR CRDIV | US: LCR |
| General risk management requirements | An FMI should generally limit the assets it routinely accepts as collateral to those with low credit, liquidity and market risks. An FMI must be confident of the collateral's value in the event of liquidation and of its capacity to use that collateral quickly, especially in stressed market conditions. An FMI that accepts collateral with credit, liquidity and market risks above minimum levels should demonstrate that it sets and enforces appropriately conservative haircuts and concentration limits. | A SIPS operator shall only accept the following assets as collateral: (a) cash; and (b) assets with low credit, liquidity and market risks. | For initial and variation margin purposes a CCP should accept, as highly liquid collateral, assets (i) issued by an issuer with low credit risk; (ii)with low market risk; (iii) freely transferable without any regulatory or legal constraint that impairs liquidation; (iv) traded in an active outright sale or repurchase agreement market at all times including a diverse group of buyers and sellers; (v) with price data published on a regular basis and (vi) not subject to material wrong-way risk or not issued by the clearing member | A derivatives clearing organization shall limit the assets it accepts as initial margin to those that have minimal credit, market, and liquidity risks. | Assets that are deemed to be eligible for initial and variation margin purposes should be sufficiently liquid, not be exposed to excessive credit, market and FX risk and hold their value in a time of financial stress. | The assets that are deemed to be eligible for initial margining should be liquid and, with haircuts, hold their value in times of financial stress. Collateral eligible to satisfy the proposed minimum margin requirements should not have excessive exposures to credit, market or foreign exchange risk. | Should maintain "high-quality liquid assets" with the following characteristics: low credit and market risk, ease and certainty of valuation, low correlation with risky assets, listed on a developed and recognised exchange market, active and sizeable market, presence of committed market makers, low market concentration and flight-to-quality tolerance | Only freely transferable assets that can be converted quickly into cash in private markets within a short timeframe and without significant loss in value should be defined as "liquid assets" for the purposes of credit institutions' liquidity buffers. | Assets that qualify as HQLA should be easily and immediately convertible into cash with little or no expected loss of value during a period of liquidity stress. |
| Credit standards | | | | | | | Level 2A: Qualifying corporate debt (AA-) and qualifying covered bonds (AA-). Level 2B: Qualifying RMBS (AA) and qualifying corporate debt securities (between A+ and BBB-). | | |
| Currency | An FMI should consider foreign-exchange risk where collateral is denominated in a currency different from that in which the exposure arises and set haircuts to address the additional risk to a high level of confidence. | Assets should be denominated in a currency the risk of which is managed by the SIPS operator. | Limited to (i) the currency of the jurisdiction where the CCP is established; (ii) the currency of a State for which the CCP can demonstrate with a high level of confidence that it is able to manage the risks on the currency; or (iii) the currency in which the CCP clears business in the limit of the collateral | | No limitations | The only eligible collateral for variation margin is cash funds denominated in (a) USD, or (b) a currency in which payment under the swap contracts is required. Cash is also eligible collateral for initial | Only domestic currency with few exceptions where there is an insufficient supply of HQLA in its domestic currency. [HQLA holdings should also be consistent with the distribution of net cash outflows by | Credit institutions are required to ensure consistency of the currency denomination of their liquid assets and their net liquidity outflows, to prevent an excessive currency mismatch from compromising their ability to use | No limitations |

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| | | | required to cover the CCP's exposures in that currency. | | | margin and cash collateral that is not denominated in U.S. dollars or the currency in which the payment obligations under the swap are required to be settled is subject to an additional haircut. | currency]. The currencies of the stock of HQLA should be similar in composition to the operational needs of the bank. | their liquidity buffer to meet liquidity outflows in a specific currency in a stress period. | |
| Close link | Except covered bonds issued by a participant or a closely linked company. | Assets cannot be issued by the participant providing the collateral or an entity that is part of the same group as that participant, except in the case of a covered bond and only where the assets in the cover pool are appropriately segregated within a robust legal framework | Restrict the acceptance of collateral issued by the clearing member providing it, except in the case of covered bonds not subject to material wrong-way risk or not issued by the clearing member. | | RTS do not allow own-issued securities as eligible collateral, except on sovereign debt securities. | A covered swap entity may not collect or post as initial margin any asset that is a security issued by the counterparty or an affiliate of that party. Also, eligible collateral for initial margin does not include a security issued by certain financial institutions. | √ | The assets shall not have been issued by the credit institution itself, its parent undertaking, other than a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking or by a securitisation special purpose entity with which the credit institution has close links. | |
| Concentration limit | √ | A SIPS operator shall take measures to avoid concentrated holdings of certain assets where this would significantly impair the ability to liquidate such assets quickly without significant adverse price effects. | Concentration limits at the level of (i) individual issuers; (ii) type of issuer; (iii) type of asset; (iv) each clearing member; and (v) all clearing members. A CCP shall ensure that no more than 10 % of its collateral is guaranteed by a single credit institution, or equivalent third country financial institution, or by an entity that is part of the same group as the credit institution or third country financial institution. A CCP shall review its concentration limit policy and procedure at least annually. | A derivatives clearing organization shall apply appropriate limitations or charges on the concentration of assets posted as initial margin, as necessary, in order to ensure its ability to liquidate such assets quickly with minimal adverse price effects, and shall evaluate the appropriateness of any such concentration limits or charges, on at least a monthly | As regards the need to have a diversified pool of collateral available, the RTS introduce diversification requirements on three different asset classes: (i) sovereign bonds (and equivalent); (ii) non-sovereign bonds; and (iii) securities issued by credit institutions and investment firms. | | √ | Credit institutions shall have policies and limits in place to ensure that the holdings of liquid assets comprising their liquidity buffer remain appropriately diversified at all times. Liquidity buffer envisaged for Level 1 assets is 70%, for Level 2A assets 40% and for Level 2B assets 15%. | Level 2A liquid assets, when combined with level 2B liquid assets, cannot exceed 40 percent of the HQLA amount under the final rule. |

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Note Table 4:

US: DFA rule on non-cleared swaps (DRAFT): The rule also states that initial margin is subject to collateral haircuts that are broadly consistent with valuation changes observed during periods of financial stress to guard against the possibility of a decline in value and reduce risk. A covered swap entity must monitor the value and quality of collateral previously collected and collect additional collateral as appropriate.