

Bank of England

16 April 2025

Sterling Monetary Framework

Level B Collateral Set

The range of securities eligible as Level B collateral comprises high quality securities that would normally be expected to trade in liquid markets and which the Bank is able to effectively value, and risk manage as collateral. In determining the eligibility of a security as Level B collateral the Bank will need to be satisfied that (i) the debt is sufficiently liquid such that it could be realised in the event of counterparty default; and that (ii) market price behaviour and liquidity are sufficiently predictable that the Bank is able to risk manage collateral by imposing appropriate haircuts. Participants should always consult the SMF Documentation, including any relevant market notices, for a complete guide to eligible collateral. In all cases, eligibility is subject to any settlement constraints.

Securities with the following characteristics are eligible as Level B collateral:

- **Sovereign and Central Bank debt**
Sovereign and Central Bank debt (including associated strips) of Australia, Austria, Belgium, Denmark, Finland, Ireland, Italy, Japan, Luxembourg, New Zealand, Norway, Portugal, Spain, Sweden, and Switzerland, issued in either the domestic currency or in sterling, euro or US dollars, and sovereign debt of China, issued in offshore RMB or euro under English law.
- **Major International Institution's bonds**
Sterling, euro, US and Canadian dollar denominated securities issued by major international institutions as listed here:
 - African Development Bank
 - Asian Development Bank
 - Asian Infrastructure Investment Bank
 - Council of Europe Development Bank
 - European Bank for Reconstruction and Development
 - European Financial Stability Facility
 - European Investment Bank
 - European Stability Mechanism
 - European Union
 - Inter-American Development Bank
 - International Bank for Reconstruction and Development
 - International Development Association
 - International Finance Corporation
 - Islamic Development Bank
 - Nordic Investment Bank.
- **G10 Government guaranteed agency bonds**
Bonds issued by G10 government agencies explicitly guaranteed by national governments, of the highest credit quality (broadly equivalent to AAA).
- **HM Government marketable debt denominated in a currency other than sterling, euro, US dollars or Canadian dollars**
Marketable debt issued by HM Government and denominated in a currency other than sterling, euro, US dollars or Canadian dollars, and directly held in Euroclear or Clearstream.
- **HM Government Sukuk**
Sterling Sukuk issued by HM Government, directly held in an appropriate settlement system.

- **Specific non-UK Government guaranteed bank debt**
Senior bank debt that is guaranteed under certain non-UK sovereign bank debt guarantee schemes. The eligibility of sovereign-guaranteed bank debt schemes is reviewed at the Bank's discretion, in the light of requests from Participants. The debt must be due to mature prior to the expiry date of the relevant guarantee.
- **FHLMC, FNMC and FHLB securities**
Conventional debt security issues of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association and the Federal Home Loan Banks system, of the highest credit quality (broadly equivalent to AAA).
- **UK, French and German regulated covered bonds**
UK, French and German regulated covered bonds of the highest credit quality (broadly equivalent to AAA) and with an original issue size of at least £500mn or €500mn, depending on the currency of issue. The underlying homogeneous pools of assets may be UK or EEA social housing loans, public sector debt, or prime residential mortgages.
- **UK and Dutch prime residential mortgage-backed securities (RMBS)**
The most senior tranches of UK and Dutch prime RMBS, of the highest credit quality (broadly equivalent to AAA). The underlying assets must be homogenous pools of prime first charge residential mortgages. Un-listed RMBS will not be eligible.
- **UK, US and EEA asset-backed securities (ABS) backed by credit cards**
The most senior tranches of UK, US and EEA asset-backed securities (ABS) backed by a homogenous pool of credit cards issued to prime borrowers, of the highest credit quality (broadly equivalent to AAA). Un-listed ABS will not be eligible.
- **UK, US and EEA asset-backed securities (ABS) backed by auto loans**
The most senior tranches of UK, US and EEA prime asset-backed securities (ABS) backed by homogenous pools of auto loans, of the highest credit quality (broadly equivalent to AAA). Un-listed ABS will not be eligible.
- **US asset-backed securities (ABS) backed by student loans**
The most senior tranches of US prime asset-backed securities (ABS) backed by student loans guaranteed by the Federal Family Education Loan Programme (FFELP), of the highest credit quality (broadly equivalent to AAA). Un-listed ABS will not be eligible.
- **Portfolios of conventional, listed, senior corporate bonds and commercial paper issued by non-financial companies in the UK, US and the EEA**
Portfolios of conventional, listed, senior corporate bonds, with a minimum issue size of £100mn, and of credit quality broadly equivalent to A3/A- or above and commercial paper of credit quality broadly equivalent to a short-term rating of A2/P2/F2, issued by non-financial companies in the UK, US and the EEA. Subject to diversification requirement that no more than 10% of the total value of the portfolio may be from a single issuer. For the purposes of this requirement, legal entities in the same group or those with close links as determined by the Bank, will be treated as a single issuer.

The following further requirements apply:

- In each case the underlying assets must be cash, not synthetic (i.e. not derivatives).
- Securities whose credit quality is on the basis of a guarantee or insurance provided by a third party ("a wrap") will not be eligible (with the exception of government guaranteed instruments noted above).
- Covered bonds and securitisations containing assets originated by the Participant (own-name securities) will not be accepted as level B collateral but may be considered for level C collateral.
- Securitisations containing securitisations will not be accepted.
- Securities may be denominated in sterling, euro, US dollars, Australian dollars, Canadian dollars, Swedish krona, Swiss francs, or in the case of Japanese Government Bonds and bank debt issued under the UK Government's Credit Guarantee Scheme, yen. (NB with the exception of regulated covered bond issuance, where only GBP or EUR issuance is eligible).

- Securities that reference, revert to referencing, or may be required to reference, US dollar credit sensitive rates¹, whether at coupon, embedded swap and/or underlying loan level, will not be eligible.
- Securities must be capable of being delivered to the Bank via the delivery mechanisms listed in the Bank's operating procedures.
- Securitisations and covered bonds must meet the Bank's transparency requirements (see: <http://www.bankofengland.co.uk/markets/Pages/money/eligiblecollateral.asp>).
- The term 'issue size' means the nominal amount issued, measured at the time of issue, for all bonds of the same International Securities Identification Number (ISIN).
- In certain cases, including but not limited to where the Bank has had to do due diligence to determine whether a particular asset is eligible, these costs may be charged back to the relevant Participant.
- Securities which give rise to registration charges, transfer taxes, VAT or other similar taxes or charges on transfer will not be eligible.
- The Bank considers the role of rating agencies, the evolution of the securitisation regulatory environment and the principles attached to such frameworks as part of the review process. The Bank remains independent in its assessment and only accepts collateral that it can value, and risk manage effectively in the bounds of its risk appetite.

A list of eligible securities is updated monthly and is available at <https://www.bankofengland.co.uk/markets/eligible-collateral>

All eligibility requests should complete the "ABS and Covered Bond Eligibility Request Template" available at <https://www.bankofengland.co.uk/markets/eligible-collateral>

Changes to eligibility can be made at the Bank's discretion at any time. Questions on the eligibility of individual securities should be sent to: eligible.securities@bankofengland.co.uk

The Bank will keep under review the securities eligible as collateral in its operations. The Bank reserves the right to reject any security, loan portfolio or individual loan offered or provided as collateral, for any reason, at any time. And as a result, the Bank will not be bound by the published eligible securities list.

¹ This includes AMERIBOR, Bloomberg Short-Term Bank Yield Index (BSBY), USD Credit Inclusive Term Rate (CRITR), USD Credit Inclusive Term Spread (CRITS) and other similar rates.