

Bank of England

16 April 2025

Sterling Monetary Framework

Level C Collateral Securities

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

- **UK, US and EEA covered bonds – where not otherwise eligible as Level B collateral**
UK, US and EEA covered bonds of credit quality broadly equivalent to A3/A- or above. The underlying assets may be UK, US or EEA public sector debt, social housing loans, SME loans or commercial mortgages, or UK or EEA residential mortgages and are expected to form a homogenous pool. Own-name covered bonds will be accepted.
- **UK and EEA residential mortgage-backed securities (RMBS) – where not otherwise eligible as Level B collateral**
The most senior tranches of UK and EEA RMBS of credit quality broadly equivalent to A3/A- or above. Own-name RMBS will be accepted. Structural features may provide some mitigation but may not always be considered to over-ride all risks, so the Bank also looks through to the underlying assets. The underlying assets must be pools of first charge residential mortgages with loan collateral broadly in line with the Bank of England published raw loan collateral guidance.
- **UK, US and EEA asset-backed securities (ABS) – where not otherwise eligible as Level B collateral**
The most senior tranches of UK, US and EEA asset-backed securities (ABS) backed by credit cards; student loans consumer loans; auto loans; social housing loans; and certain equipment leases of credit quality broadly equivalent to A3/A- or above. Own-name ABS will be accepted.
- **UK, US and EEA commercial-backed securities (CMBS)**
The most senior tranches of UK, US and EEA commercial mortgage-backed securities (CMBS) of credit quality broadly equivalent to A3/A- or above. Securities containing construction loans will not be eligible. The collateral pool must be diversified. Own-name CMBS will be accepted.
- **UK, US and EEA securitised portfolios of senior secured or on balance sheet corporate or SME loans**
The most senior tranches of UK, US and EEA securitised portfolios of senior secured or on-balance sheet, corporate or SME loans of credit quality broadly equivalent to A3/A- or above. The collateral pool must be diversified. Own-name securities will be accepted.
- **UK, US and EEA securitised portfolios of corporate bonds**
The most senior tranches of UK, US and EEA securitised portfolios of corporate bonds of credit quality broadly equivalent to A3/A- or above. Portfolios containing leveraged loans are not permitted. The collateral pool must be diversified. Own-name securities will be accepted.
- **UK, US and EEA asset-backed commercial paper (ABCP)**
Some types of UK, US and EEA asset-backed commercial paper (ABCP) of credit quality broadly equivalent to a short-term rating of A-1+/P1/F1+. Only the most senior paper will be accepted, and the eligibility of individual programmes must be agreed with the Bank. The Bank will assess programmes against criteria that must be satisfied by the underlying assets and against transparency requirements. The underlying assets must be of a type that is itself eligible for delivery in the Bank's DWF.
- **Portfolios of conventional, listed, senior corporate bonds and commercial paper issued by non-financial companies in the UK, US and the EEA – where not otherwise eligible as Level B collateral**
Portfolios of conventional, listed, senior corporate bonds, with a minimum amount in issue 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.

- **UK, EEA or US covered bonds or ABS backed by certain Export Credit Agency guaranteed loans**
UK, EEA or US covered bonds or ABS backed by certain Export Credit Agency guaranteed loans. These will be subject to individual review.
- **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.

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). 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 guaranteed under the UK Government's Credit Guarantee Scheme, yen.
- 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.
- Un-listed securities will be eligible at the Bank's discretion.
- 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 also meet the Bank's transparency requirements (see: <https://www.bankofengland.co.uk/markets/eligible-collateral>).
- 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 level B&C 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.