

ADMISSION BOARD COMMUNIQUÉ NO. 9/2005 OF 2 AUGUST 2005

Listing of loan participation notes on the SWX Swiss Exchange

I. BACKGROUND

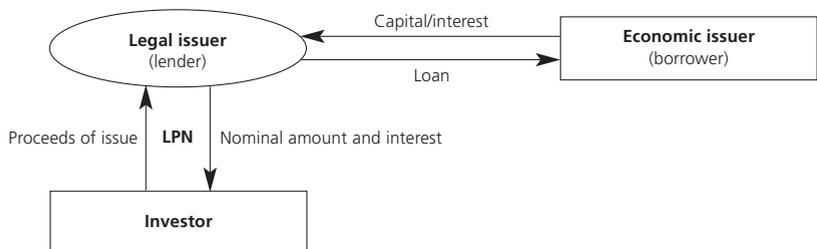
The Admission Board approved the listing of so-called **loan participation notes** (“LPNs”), which are to be classified as **“bonds”**.

Numerous issuers, primarily from Eastern European countries, are prevented from gaining direct access to the international capital markets due to local accounting standards or for tax reasons. Such issuers therefore cover their debt financing needs in part through the issuance of LPNs.

II. PRODUCT-SPECIFIC STRUCTURE

In terms of their functionality and inherent risks, LPNs represent an investment that is comparable to a straight bond. In return for the capital provided (nominal amount), the issuer makes interest payments at regular intervals and, upon maturity, the bond issue is repaid at par.

But in contrast to a straight bond, an LPN involves a tripartite relationship: as a general rule, a bank acts as the effective issuer (“legal issuer”) vis-à-vis the investor; but from an economic standpoint, the actual borrower is a company (“economic issuer”). That company indirectly obtains debt capital in the marketplace via the legal issuer, i.e. a bank that is normally also the lead manager of the transaction. The bank (legal issuer) issues LPNs for the sole purpose of financing the loan it has granted to the company (economic issuer). The following diagram illustrates this relationship:



The lender, which from a legal point of view issues the LPNs as an indirect representative of the economic issuer, books the economic issuer's interest and capital payments into a bankruptcy-secured (konkursgesichert) account and guarantees that it will pass through these cash flows to the investor.

III. LISTING REQUIREMENTS AND OBLIGATIONS FOR MAINTAINING LISTING

Both from a legal standpoint and vis-à-vis the market, the lending bank (legal issuer) **acts as the issuer**. But because the investor bears the full credit risk of the economic issuer, and the only obligation the lender has versus the investor is to pass through the related cash flows, the Admission Board has ruled that **all obligations associated with the initial and maintained listing of LPNs must be fulfilled by the economic issuer**.

1. Listing prospectus

The **economic issuer** of LPNs must fulfil all listing requirements imposed on a regular bond issuer. Among other things, this means that the economic issuer must disclose in the prospectus all information as per Scheme B, including financial information prepared in accordance with the accounting standards prescribed by the Listing Rules.

In addition, the listing prospectus must contain a **summary of the transaction**. This introductory overview must include **details on the parties involved in the transaction and their respective functions**, as well as inform investors in an easily comprehensible manner about the **issue's key characteristics and structure** that are essential to understanding the risks involved in purchasing the securities and how investors can assert their rights.

2. Obligations for maintaining listing

The **economic issuer** is also subject without limitation to the obligations associated with maintained listing.

To the same extent, the **legal issuer** is relieved from providing the corresponding information in the prospectus and within the framework of maintained listing.

IV. PRODUCT-SPECIFIC REQUIREMENTS

It should be stated for the sake of limitation that an LPN within the context of this Communiqué may not vary materially from the product structure set forth in Point II, above. In particular, the structure may not involve any debt securitisation as is the case with asset-backed products, nor may it provide for a transfer of certain risks by means of credit derivatives. Moreover, a pooling of loans from various borrowers is prohibited.

In addition, the listing documentation must clearly indicate the party for which the investor is assuming the credit risk so that the investment decision can be based on a proper understanding of the facts.

Admission Board Communiqués are accessible in English, German and French on the Internet at http://www.swx.com/admission/regulation/messages/2005_en.html

