

REGULATORY BOARD COMMUNIQUÉ NO. 4/2009 OF 11 AUGUST 2009

Trading in defaulted bonds after maturity

Details of admission to trading

Decision of the Regulatory Board of 2 April 2009

Entry into force: 11 August 2009

I. BACKGROUND

Trading in defaulted bonds is governed by **SIX Swiss Exchange Communiqué 2/99 "Flat Trading of Bonds in Default"** (accessible at http://www.six-exchange-regulation.com/swx_messages/online/swx0299e.pdf), which states that defaulted bonds must be traded flat. The Communiqué does not lay down any rules on the treatment of defaulted bonds after maturity.

Under the **Rules for Trading in Delisted Bonds on SIX Swiss Exchange of 29 October 2008** (in force since 1 July 2009, "Rules"), delisted bonds from issuers in liquidation or similar proceedings may be traded on SIX Swiss Exchange. The wording of Art. 3 of the Rules nonetheless restricts their scope to bonds which have been **delisted upon request**. Art. 7 of the Rules states that the issuer is not required to meet disclosure or reporting obligations.

In the wake of the financial crisis, in the autumn of 2008 trading in bonds from several issuers was switched to "in default" in accordance with SIX Swiss Exchange Communiqué 2/99. The redemption date for some of these bonds has since passed, meaning that their listing was cancelled automatically in accordance with Art. 78 of the Listing Rules of 24 January 1996 (last revised on 18 September 2007). The natural consequence of this was that exchange trading in these bonds ceased.

SIX Swiss Exchange participants and investors nonetheless continue to show interest in an ongoing trading facility for these bonds after they have matured. Since the full amount of the bond is not repaid according to the bond terms owing to the insolvency of the issuer or debtor, creditors (i.e. investors) still have a claim against the bond issuer. As such, the bond retains a value even after it has matured.

With this in mind, the Regulatory Board has decided that defaulted bonds may continue to be traded on SIX Swiss Exchange even after maturity and although they are no longer deemed listed under the terms of the Listing Rules.

II. DETAILS OF ADMISSION

A. General

The rules on the trading of delisted bonds apply mutatis mutandis to trading in defaulted bonds after maturity.

B. Application for admission

Any SIX Swiss Exchange participant may apply for trading in defaulted bonds to continue beyond maturity. The participant must submit an application to SIX Exchange Regulation **no later than three trading days** prior to the last day of trading in the bond concerned.

SIX Exchange Regulation may also rule on its own initiative that trading be continued. Continued trading is not a right.

C. Set time period

In contrast to delisted bonds, defaulted bonds are admitted to trading for a **set period of twelve months** after they mature. This trading period may be extended for further twelve-month periods each time the participant submits a corresponding application to SIX Swiss Exchange. The participant must submit an application to SIX Exchange Regulation **no later than three trading days** prior to the last day of trading in the bond concerned. Extended trading is not a right.

D. Publication

The admission to trading of defaulted bonds that have matured will be published by means of an Official Notice.

E. Publication deadlines and reporting

Admission to trading does not give rise to any publication or reporting obligations on the part of the issuer.

These provisions apply with immediate effect.

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