

REGULATORY BOARD COMMUNIQUÉ NO. 1/2015 OF 25 JUNE 2015

Restructuring of regulatory standards for equity securities

Decision of the Regulatory Board of 6 May 2015

Entry into force: 1 August 2015

Date of restructuring: 3 August 2015

I. BACKGROUND

In 2009, the terms Main Standard and Domestic Standard were introduced to replace the previous terminology of the "Main Segment" and "SWX Local Caps Segment". The Domestic Standard, which was subject to less stringent listing requirements, was originally intended for companies of local importance, or a limited group of investors, such as family firms or smaller and less well-established issuers. In recent years, increasing numbers of companies have switched from the IFRS financial reporting standard to Swiss GAAP FER, resulting in their reallocation from the Main Standard to the Domestic Standard. This development means that the Domestic Standard now includes companies which do not correspond to the originally envisaged positioning of this Standard, as described above. The Regulatory Board therefore believes it expedient to restructure the regulatory standards for equity securities.

II. AMENDMENTS

The restructuring is intended to simplify the current system, to position Swiss GAAP FER clearly as one of the relevant, recognized accounting standards on SIX Swiss Exchange, and to bring listing requirements into line with the needs of today's market. In the future, the regulatory standards will be structured on the basis of one standard for equity securities, and one standard for debt securities. The Standard for Equity Securities is further divided into an International Reporting sub-standard and a Swiss Reporting sub-standard, thus continuing to accommodate different financial reporting standards. These two "sub" standards are joined by further sub-standards for investment companies, real estate companies, depository receipts and collective investment schemes. In addition, listing requirements for the International Reporting and Swiss Reporting sub-standards are to be harmonized. Following this harmonization, the required track record will be three years for both sub-standards. The necessary free float will be brought into line with the SPI threshold and will be 20% instead of 25%. Furthermore, in common with other trading venues, the equity base has been set at CHF 2.5 million. It will still be possible for exceptions to these listing requirements to be made in application of Art. 7 of the Listing Rules, and the Directive on Exemptions regarding Duration of Existence of the Issuer (Track Record) (DTR). The restructuring of regulatory standards necessitates amendments to the following rules and regulations:

- Listing Rules (Arts. 3, 9a [new], 15, 19, 85-88)
- Additional Rules for the Listing of Bonds (Arts. 4, 5, 8, 21)

- Additional Rules for the Listing of Derivatives (Arts. 4, 5, 9, 19, 27)
- Additional Rules for the Listing of Exchange Traded Products (Arts. 2, 4)
- Prospectus Schemes
- Directive on Exemptions Regarding Duration of Existence of the Issuer (Track Record) (Art. 1)
- Directive on the Distribution of Equity Securities (Art. 1)
- Directive on the Procedures for Equity Securities (Annex 1)
- Directive on Financial Reporting (Arts. 6, 7, 9, Annex 1)
- Directive on the Procedures for Debt Securities (Arts. 22, 26)
- Directive on Guarantee Commitments (Art. 1).

The most significant changes have been made to the Listing Rules and to the Directive on Financial Reporting. They can be summarized as follows: The two standards for equity securities and debt securities, respectively, as well as their subdivisions, have been inserted into Art. 3 Listing Rules. In addition, a new para. 5 lays down the authority of the Regulatory Board to issue a directive determining which financial reporting standards are permitted. Specifically, this refers to the Directive on Financial Reporting, which sets out the relevant regulations in Arts. 6 and 7. In view of the synchronisation of requirements (same thresholds; the sole distinguishing criterion is the accounting standard) between the International Reporting standard (previously the Main Standard) and the Swiss Reporting standard (formerly the Domestic Standard) within the Standard for Equity Securities, the whole of Section VIII C (Domestic Standard) has been struck from the Listing Rules. The new Art. 9a states which articles determine the listing requirements for the individual regulatory standards. Otherwise, the changes that have been made are only formal in nature (changes to thresholds, terminology and updates to article references).

III. HOW THE CHANGES WILL AFFECT ISSUERS

For those companies which are currently allocated to the Main Standard or Domestic Standard, the planned changes will result in their reallocation to the International Reporting or Swiss Reporting regulatory standard, depending on the financial reporting standard which they apply. In addition, amendments to listing requirements mean that different listing requirements will apply for new issuers of equity securities in the future. The restructuring does not affect issuers of debt securities, as the existing listing requirements will remain in place under the new name. However, the term Main Standard will no longer be used, and there will now be only one standard for debt securities, divided into sub-standards for the individual product categories such as bonds, derivatives and exchange traded products.

IV. APPROVAL AND ENTRY INTO FORCE

The amendments to the rules and regulations were approved by FINMA on 9 June 2015 and enter into force on 1 August 2015. On **3 August 2015**, issuers in the current Main and Domestic Standards will be reallocated to the new standards: either the International Reporting Standard or the Swiss Reporting Standard. This 3 August 2015 reallocation will happen automatically, and thus does not require a response from issuers. A marked-up version

of the relevant regulations, showing the changes, can be found on the following website (exclusively available in German): <http://www.six-exchange-regulation.com/dam/downloads/publication/consultations/2014-10-09-revision-regulatory-standards/regulation-changes.pdf>.

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