



Exchange Regulation

**COMMUNIQUÉ NO. 1/2010  
OF 27 JANUARY 2010**

***Daily adjustments of barriers and exercise prices for dynamic derivatives***

***Change of practice***

I. BACKGROUND

In March 2004 the Regulatory Board (then the Admission Board) approved the listing of a dynamic derivative<sup>1</sup> with a roll-over effect for the first time. Listing was approved on the condition that, for technical reasons, the adjustments to the derivative - specifically the roll-over process itself - could take place no more than once a week. This practice was communicated in Admission Board Communiqué no. 9/2004, dated 30 August 2004.

Following applicable SIX Exchange Regulation practices, to date the principle of weekly amendments only has also applied to periodic amendments to barriers and strike prices for other dynamic product structures, such as open-end knock-out options.

Market participants have increasingly been calling upon SIX Exchange Regulation to provide the facility to list on SIX Swiss Exchange derivatives that feature daily adjustments to barriers and exercise prices.

This Communiqué explains the changes to current practice.

II. APPLICABILITY

This Communiqué applies to all derivatives whose barriers or exercise prices are amended during their term in accordance with previously defined and objectively comprehensible criteria.

III. CHANGE OF PRACTICE

**With immediate effect, barriers (e.g. stop-loss / knock-out levels) and exercise prices for dynamic derivatives may be amended in accordance with their product terms on a daily basis, with the publication of an Official Notice.**

<sup>1</sup> Dynamic derivatives are derivatives whose underlying or product structure (e.g. setting of new exercise price, adjustments to thresholds in the case of products with path-dependent structures) may be changed or adapted during their term according to previously determined and objectively comprehensible rules (Art. 8 DDSS).

#### IV. ISSUER OBLIGATIONS

##### *A. Form and content of the Official Notice*

The following rules must be observed strictly when drawing up an Official Notice:

- Relevant information concerning **all of the derivatives that are to be amended** must be collated and sent to SIX Exchange Regulation **in a single Official Notice**.
- The **date of entry into force** of the actual amendments to barriers and exercise prices must be stated explicitly.
- When the Official Notice is sent, it must be accompanied by a specific note stating that it must be **published before the start of trading**.

##### *B. Deadlines*

On the date on which it enters into force, the Official Notice must be sent **by 7.30 am at the latest** to **zulassung@six-group.com**.

##### *C. Obligations concerning the maintenance of listing*

Issuers' obligations in connection with the **listing** and **continued listing** of such derivatives continue to apply in full even where daily adjustments are made.

The most important provisions in this respect are given below (this list is not exhaustive):

- Directive on Debt Securities with Specific Structures (DDSS), specifically its provisions on the listing of derivatives with path-dependent structures (Art. 4 et seqq. DDSS)
- Reporting obligations in the event of an adjustment to the conditions of the security, e.g. as they pertain to exercise price (Annex 3 Point. 2.01 Circular No. 1 (CIR1), Reporting Obligations Regarding the Maintenance of Listing)
- Reporting obligations upon the achievement of threshold values that could impact the price or valuation of the derivative (Annex 3 Point 2.03 Circular 1)

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