

Directive on Debt Securities with Specific Structures

(Directive Debt Securities Specific Structures, DDSS)

Dated 2 May 2017
Basis Art. 2 para. 4 Additional Rules Derivatives

I. GENERAL PROVISION

*Art. 1
Object*

This Directive, in addition to the provisions in the Additional Rules for the Listing of Bonds ("Additional Rules Bonds") and in the Additional Rules for the Listing of Derivatives ("Additional Rules Derivatives"), governs various transparency requirements in connection with the listing and maintaining listing of debt securities with specific structures.

II. SPECIAL PROVISIONS

A. DERIVATIVES WITH OPEN-END STRUCTURES

*Art. 2
Definition*

¹ Derivatives with open-end structures are derivatives which do not have a final due date (expiry).

² As a rule, derivatives with open-end structures usually entail a right of cancellation on the part of the issuer and a right of return in favour of the derivative holder.

*Art. 3
Transparency in the
listing prospectus*

¹ Listing prospectuses for derivatives with open-end structures must state prominently that the derivatives in question do not constitute collective investment schemes as defined in the Federal Act on Collective Investment Schemes (CISA) and, as a result, they are not subject to supervision by the Swiss Federal Financial Market Supervisory Authority ("FINMA").

² Furthermore, a right of return in favor of the derivative holder must be provided for in the product terms.

See also:

- Federal Act of 23 June 2006 on Collective Investment Schemes (Collective Investment Schemes Act, CISA) (in German)

B. DERIVATIVES WITH PATH-DEPENDENT STRUCTURES

*Art. 4
Definition*

Derivatives with path-dependent structures are derivatives whose value at payment depends not only on the underlying security upon expiration or exercise, but rather generally on the price movements of the underlying security during the term of the derivative.

*Art. 5
Binding declaration*

¹ In connection with the provisional admission to trading or the listing of derivatives with path-dependent structures, the issuer must submit to the Regulatory Board a declaration legally signed by its responsible bodies or by its recognised representative, as described in Art. 43 LR, in which it undertakes to:

1. fulfil all reporting requirements pursuant to Art. 6 from the time of the provisional admission to trading;
2. assume unconditional responsibility for any trading transactions being declared invalid by SIX Swiss Exchange Ltd («SIX Swiss Exchange») owing to a breach of reporting obligations by the issuer.

² This binding declaration may be submitted for each individual issue or on an annual basis.

³ If the binding declaration is submitted for each individual issue, it must be sent to SIX Exchange Regulation by fax (fax no. +41(0)58 499 29 34) at the same time as the application for provisional admission to trading is lodged. The original of the binding declaration must be submitted together with the listing application.

⁴ If the binding declaration is submitted on an annual basis, it applies to all issues for a maximum of 12 months from the date on which the original is received by the Regulatory Board. Upon the expiry of the period of validity, the binding declaration must be resubmitted.

*Art. 6
Reporting obligations*

¹ Issuers of derivatives with path-dependent structures are obligated to inform SIX Swiss Exchange immediately by telephone (at the Exchange Operations Helpdesk number: +41 (0)58 399 24 75) of changes to the price parameters of a derivative and, if necessary, to communicate to SIX Swiss Exchange the new data (strike price, cap level, etc.) to be recorded.

² Additionally, an "Official Notice" must be sent to zulassung@six-group.com. This "Official Notice" will be published by SIX Swiss Exchange.

³ Trades that take place between a change occurring in the price parameters of a path-dependent derivative and the corresponding notification of SIX Swiss Exchange by the issuer, on the one hand, and the entry of the relevant information in the trading system, on the other, are deemed by definition to be mistrades, unless the determination of prices is not influenced by the event (e.g. corporate action). This rule applies irrespective of compliance with the periods defined in Directive 4: Market Control, Clause 6 of SIX Swiss Exchange in the case of incorrect transactions. In addition Directive 4: Market Control, Clause 6 of SIX Swiss Exchange applies.

See also:

- Directive Regular Reporting Obligations (DRRO)
- SIX Swiss Exchange Directive 4: Market Control

*Art. 7
Path-dependent
derivatives that expire
worthless*

¹ If the terms provide for a path-dependent derivative to expire worthless or to be liquidated under certain circumstances (e.g. if it reaches a certain threshold value), the Regulatory Board will order the suspension of trading in the derivative concerned as soon as it has received telephone notification from the issuer, as described in Directive Regular Reporting Obligations (DRRO).

² Listing of the derivatives is terminated after expiry based on Art. 39 Additional Rules Derivatives.

See also:

- Directive Regular Reporting Obligations (DRRO)

C. DERIVATIVES WITH DYNAMIC STRUCTURES

*Art. 8
Definition*

Dynamic derivatives are derivatives whose underlying security or product structure (e.g. setting of new exercise price, adjustments to thresholds in the case of products with path-dependent structures) can be changed or adapted according to previously determined and objectively comprehensible rules during the term.

*Art. 9
Listability*

Dynamic derivatives may be listed on SIX Swiss Exchange provided that the criteria that result in a change to the product terms (e.g. the exercise price) and/or the underlying security (e.g. rebalancing of individual components of a basket or roll-over in the underlying future) can be defined in advance and described in objective terms (e.g. historical returns, P/E ratio, etc.) in the listing prospectus. These criteria must remain unchanged for the term of the certificate.

*Art. 10
Listing prospectus*

¹ The issuer must state on the prospectus cover sheet that the derivative in question is a product with a dynamic structure, which may result in changes to the product terms and/or to the underlying security.

² The listing prospectus must contain the detailed description of the adjustments ("roll-over").

³ The adjustments that occur on a regular basis are regarded as changes to the rights associated with the derivative and must be made public in accordance with the conditions laid down in the listing prospectus.

See also:

- Directive Regular Reporting Obligations (DRRO)

D. DERIVATIVES WITH DYNAMIC STRUCTURES AND DISCRETIONARY MANAGEMENT (ACTIVELY MANAGED CERTIFICATES)

*Art. 11
Definition*

¹ Products whose underlying securities are managed at the discretion of an asset manager are deemed to be "Actively Managed Certificates" (AMCs).

² For qualification as an AMC, it is negligible whether a given product is directly based on a discretionary managed basket or indirectly based on an index as its underlying security.

³ An index product will in particular be considered an AMC if the underlying index is fully or partially managed on a discretionary basis or is not able to be freely licensed (e.g. "tailor-made indices").

*Art. 12
Conditions*

In order to ensure transparent price-setting for AM, issuers are subject to the following special conditions:

1. Market making agreement ("MMA"): for derivatives with discretionarily managed underlying securities to which adjustments can be made that have an effect on the price during

continuous trading, the issuer must sign an MMA that specifies the maximum spread (bid/ask) as well as the minimum quote size. Additionally, the market maker is obligated to post quotes during 90% of SIX Swiss Exchange trading hours.

A legally signed MMA is to be submitted to the Regulatory Board prior to submission of the application for provisional admission to trading.

2. Reporting requirement in case of mistrades: in the event of a mistrade, the issuer must immediately inform the SIX Swiss Exchange Exchange Operations department (at the Exchange Operations Helpdesk number: +41 (0)58 399 24 75). Transactions that have been executed outside the maximum spread are deemed to be mistrades. Affected by this are all mistrades, even those in which the issuer was not directly involved. Notification must be made immediately and regardless of the deadlines laid down in SIX Swiss Exchange Directive 4: Market Control, Clause 6. The issuer assumes unconditional responsibility for any transactions being declared invalid by SIX Swiss Exchange owing to a breach of reporting obligations by the issuer.
3. Obligation to disclose to SIX Swiss Exchange and the Regulatory Board: at the request of SIX Swiss Exchange or the Regulatory Board, the issuer must at all times be prepared to immediately make available the current composition of the underlying basket as well as to provide a history of the adjustments made to the basket.
4. Investment strategy: the investment guidelines and related universe of securities must be specified at the time of issuance and may not be altered at any later date without the approval of all investors. The guidelines and the securities universe must be submitted to the Regulatory Board together with the listing application. The issuer, or its authorised delegate, must continuously monitor compliance with the investment guidelines and universe of securities.

See also:

- SIX Swiss Exchange Directive 4: Market Control

*Art. 13
Listing prospectus*

In addition to information pursuant to Scheme F, the listing prospectus must contain information on the following points:

1. Investment strategy: the precise definitions and specifications of the investment guidelines are to be presented in a clear and comprehensible form in the listing prospectus. The investment

- restrictions must be determined in a manner such that the investor can clearly understand the strategy and orientation of the product;
2. Cost transparency: the listing prospectus must contain at minimum the information indicated in the following points:
 - a. fees: all fees charged by the issuer must be disclosed;
 - b. treatment of dividends: disclosure must be made as to how dividends paid on the underlying securities are handled;
 - c. "rebalancing": indication must be given as to the criteria according to which the rebalancing of the underlying securities is accomplished;
 3. in order to avoid any misunderstanding on the part of the public, the issuer must indicate in a prominent position in the listing documentation that AMCs are not collective capital investments within the context of the Federal Act on Collective Investment Schemes (CISA) and are therefore not subject to supervision by FINMA.

See also:

- Scheme F
- Federal Act of 23 June 2006 on Collective Investment Schemes (Collective Investment Schemes Act, CISA) (in German)

E. DERIVATIVES WHOSE UNDERLYING SECURITIES ARE NOT AUTHORISED BY FINMA FOR PUBLIC SALE IN SWITZERLAND

*Art. 14
Principle*

A structured product, the underlying instrument of which is deemed to be a collective investment scheme that is not authorised by FINMA for public sale in Switzerland, may be listed on SIX Swiss Exchange on condition that it may be offered publicly under applicable law.

*Art. 15
Obligations of issuers*

¹ The decision as to whether or not the conditions referred to in Art. 14 are met, and thus whether or not the structured product may be sold publicly under the terms of the CISA, lies with the issuer alone.

² Where a derivative is provisionally admitted to trading under Art. 14, the issuer must submit written confirmation to the Regulatory Board that:

1. the public offering is permissible under applicable law;
2. CISA is not being circumvented in any way; and

3. the attendant executive provisions and the relevant FINMA requirements are fulfilled.

³ This confirmation is to be submitted to SIX Exchange Regulation with the respective application for provisional admission to trading in advance by fax (+41(0)58 499 29 34).

⁴ The original must be submitted without delay.

⁵ The Regulatory Board reserves the right to reject applications for provisional admission to trading and for the listing of derivatives if an evident attempt is being made to circumvent the applicable rules and regulations.

See also:

- Federal Act of 23 June 2006 on Collective Investment Schemes (Collective Investment Schemes Act, CISA) (in German)
- FAQ of the Swiss Financial Market Supervisory Authority - Structured Products (Status 19 December 2008)

III. FINAL PROVISIONS

Art. 16
Entry into force

¹ This Directive shall enter into force on 1 July 2009.

² With the entry into force of this Directive, Admission Board Communiqués No. 12/2001 of 16 July 2001, No. 19/2003 of 24 November 2003, No. 9/2004 of 30 August 2004, No. 4/2007 of 26 June 2007 and No. 6/2008 of 30 May 2008 will cease to apply.

Art. 17
Transitional provision

Applications for provisional admission to trading and listing applications shall be assessed pursuant to this Directive if said applications are submitted to SIX Exchange Regulation on or subsequent to the entry into force of this Directive.

Art. 18
Revision

¹ The revision of Art. 6 para. 3 and Art. 12 decreed by the resolution dated 1 October 2010 enters into force on 1 November 2010.

² Amendment to Art. 5, 6 and 12 owing to the merger by absorption of SIX Structured Products Exchange Ltd by SIX Swiss Exchange Ltd effective 2 May 2017.