



SIX Swiss Exchange Ltd

Directive 7: Sponsored Access

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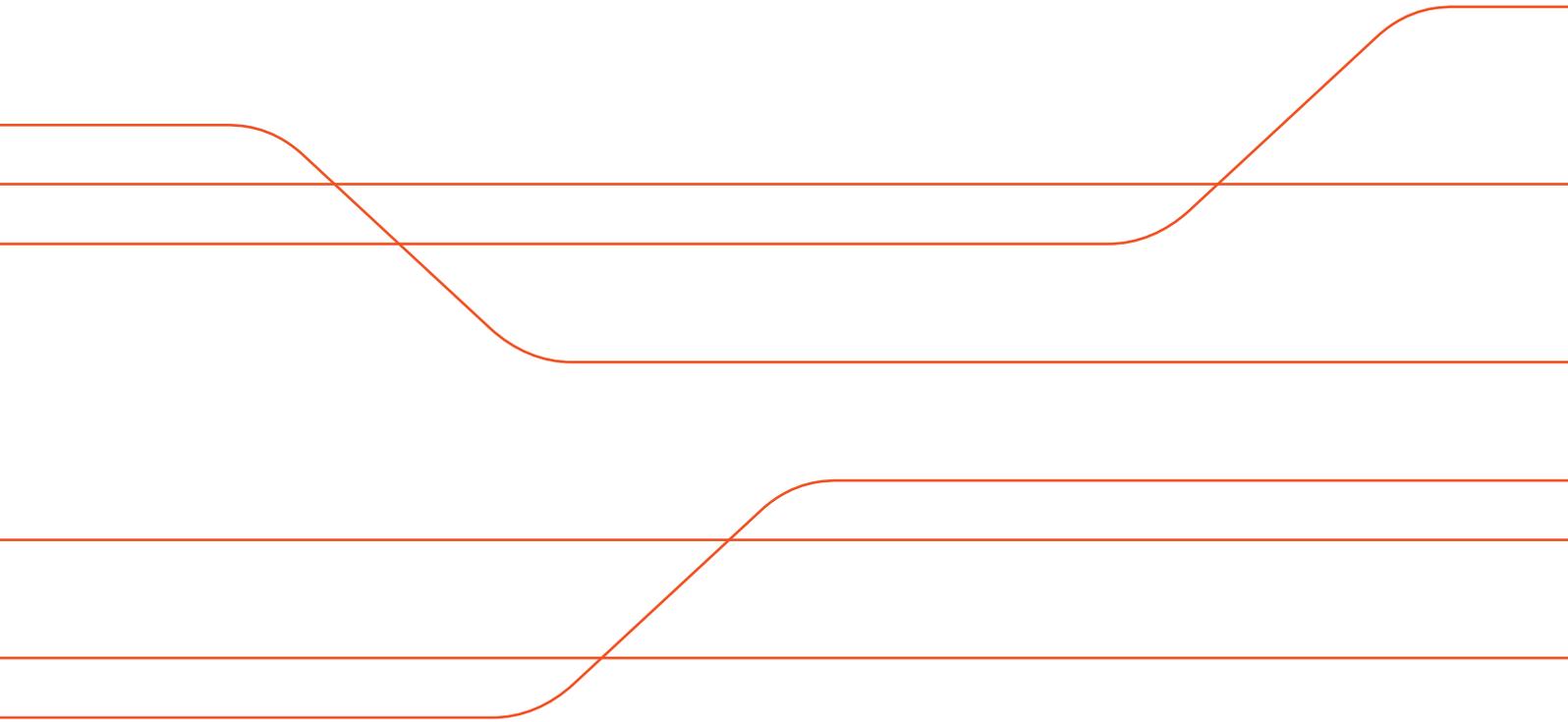


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1 Purpose and principle

This Directive contains provisions on Sponsored Access and is based on Clause 4.3.5 Rule Book.

2 Definitions

2.1 Sponsored Access (SA)

Sponsored Access (SA) means an arrangement through which a participant of the Exchange facilitates submission of client orders to the Exchange by permitting clients to transmit orders electronically and directly to the Exchange under the participant's member ID without the orders being routed through the participant's internal electronic trading systems.

2.2 Sponsoring Participant

Sponsoring Participant means a participant of the Exchange that permits clients Sponsored Access to the Exchange.

2.3 Sponsored User

Sponsored User means a client of a Sponsoring Participant that has been permitted Sponsored Access to the Exchange by a Sponsoring Participant.

2.4 Sponsored User ID

Sponsored User ID means a unique identifier assigned by the Exchange for a Sponsored User to ensure segregation of the Sponsored User's flow from the flow of other Sponsored Users of the same Sponsoring Participant as well as other flow from the Sponsoring Participant.

3 Relationship with the Exchange

¹ The Exchange maintains a legal relationship solely with the participants of the Exchange. The fact that a participant provides its clients Sponsored Access does not result in or lead to the establishment of a legal relationship between the Exchange and the participant's Sponsored Users. A Sponsored User's ability to transmit orders to the Exchange is bound to and limited by the scope of the respective participant's admission to trade at the Exchange.

² The participant is responsible for ensuring its Sponsored Users are aware of, accept and adhere to the rules of the Exchange. It must inform its Sponsored Users without delay of any relevant communication by the Exchange.

4 Responsibility for actions and omissions of Sponsored Users

¹ A participant that permits its clients Sponsored Access to the Exchange remains liable for all actions and omissions committed by, on behalf of or in the name of its Sponsored Users under the participant's member ID as if these were actions and omissions by the participant itself.

² In particular, the participant bears sole responsibility for all obligations and liabilities arising from its Sponsored Users' interaction with the Exchange system and for all executions which arise from orders transmitted by them under the participant's member ID, irrespective of whether these were made by authorised or unauthorised individuals of the Sponsored User.

³ By providing its clients Sponsored Access, the participant acknowledges and accepts that it can be made subject to interventions, investigations and sanctions with regard to any failure of its Sponsored Users to comply with the rules of the Exchange.

5 Requirements for permitting Sponsored Access

5.1 Principles

¹ A participant may only permit Sponsored Access to those clients for which it has conducted a due diligence assessment in accordance with Clause 5.2 of this Directive, has submitted a request to the Exchange in accordance with Clause 5.3 of this Directive and has received a positive decision from the Exchange.

² Sponsored Access is not available to a client of a participant that is itself a participant of the Exchange. In the event of a change from Sponsored User to a become a participant or vice versa, during the duration of ten trading days a parallel run can take place.

5.2 Due diligence assessment of Sponsored Users

¹ A participant that wishes to permit a client Sponsored Access to the Exchange shall conduct a due diligence assessment on the prospective Sponsored User including suitability checks. The degree of due diligence and suitability checks shall take account of the risks posed by the nature of the prospective Sponsored User and the scale and complexity of its prospective trading activities on the Exchange.

² The due diligence and suitability checks with regard to each prospective Sponsored User shall include, but not be limited to, an assessment of:

- a) the training, including familiarisation with the rules of the Exchange, competency and reliability of the proposed individuals authorised to transmit orders to the Exchange or authorised to sign off on trading algorithms for automatic order transmission under the participant's member ID;
- b) the internal systems, procedures and controls for Sponsored Access activities;
- c) the access controls over order entry, modifications and deletions;
- d) the allocation of responsibility for dealing with actions and errors;
- e) the financial resources; and
- f) where available, the historical trading pattern/behaviour.

³ The participant shall periodically update the due diligence and suitability assessment of its Sponsored Users to verify that its findings are still accurate and satisfactory.

5.3 Request

¹ A participant that wishes to permit a client Sponsored Access to the Exchange must submit a written request to the Exchange per each prospective Sponsored User.

² The request must include, inter alia:

- a) full company details of the client, including name, address, registered seat, and, where applicable, regulatory status and competent supervisory authority;
- b) a list of the client's proposed individuals authorised to transmit orders to the Exchange or authorised to sign off on trading algorithms for automatic order transmission under the participant's member ID;
- c) a confirmation by the participant that he has conducted a due diligence assessment of the client in accordance with Clause 5.2 of this Directive and that, based on such assessment, the client is fit and proper for the use of Sponsored Access;
- d) a confirmation by the participant that the client meets the technical requirements for connecting to the Exchange system;
- e) a confirmation by the participant that it has received prior approval from SIX Exfeed for the receipt and usage of market data by the Sponsored User as required under the Rule Book in combination with the "Market Information" Directive;
- f) a confirmation by the participant that he has appropriate procedures and personnel in place for the monitoring of the client with regard to its Sponsored Access; and
- g) a confirmation by the participant that the provision of Sponsored Access to the client does not violate any laws or regulations in the client's or participant's jurisdiction.

³ The [request form](#) for permitting a client Sponsored Access may be obtained from the Exchange and is available on the website of the Exchange.

⁴ The Exchange reserves the right to request further information where it deems appropriate.

5.4 Decision

¹ The Exchange reserves the right to refuse a participant's request to permit a client Sponsored Access at its discretion. A request shall be denied, in particular, where

- a) the Exchange is not satisfied in any respect with the information provided in context with the request of the participant to permit its client Sponsored Access;
- b) the Exchange is aware of adverse information to that provided in context with the request of the participant to permit its client Sponsored Access; or
- c) in the Exchange's view, provision of Sponsored Access to the respective client could present a risk to fair and orderly trading.

² The Exchange shall examine the request and inform the participant of its decision in writing. If the decision is negative it shall provide an explanation.

5.5 Relationship Sponsoring Participant – Sponsored User

In order to ensure a Sponsoring Participant's ability to perform all its obligations with regard to the Sponsored User under the rules of the Exchange, the Sponsoring Participant shall enter into a written agreement with each Sponsored User setting out the terms and conditions governing Sponsored Access. Such agreement shall include, but not be limited to:

- a) the obligation of the Sponsored User to accept and at all times to adhere to the rules of the Exchange, as amended from time to time; should the Sponsored User use algorithmic trading, the Sponsoring Participant must ensure that the obligations set out in the "Trading" and "Trading Without Pre-Trade Transparency" directives are applicable mutatis mutandis;
- b) a right of the Sponsoring Participant, at its sole discretion, to
 - block and/or cancel orders transmitted by the Sponsored User;
 - correct trades, request cancellations of trades or report countertrades in relation to orders transmitted to the Exchange by the Sponsored User should it be required pursuant to the Exchange's rules; and
 - suspend or terminate the Sponsored User's Sponsored Access;
- c) the obligation of the Sponsored User to provide the Sponsoring Participant with:
 - a description of the Sponsored User's technical system and connection to the Exchange;
 - any information that the Exchange and/or the Regulatory Bodies reasonably request from the Sponsoring Participant with regard to its Sponsored User including, but not limited to, information required to ensure fair, efficient and orderly trading;
- d) the obligation of the Sponsored User to cooperate without delay with the Sponsoring Participant and the Exchange and/or the Regulatory Bodies in cases of investigations by the Exchange and/or the Regulatory Bodies into any entries into or deletions from the Exchange system made by the Sponsored User under the Sponsoring Participant's member ID.

6 Sponsored User ID

¹ The Exchange will assign a unique identifier for each Sponsored User to ensure identification of the Sponsored User's flow and its segregation from the flow of other Sponsored Users of the Sponsoring Participant as well as all other flow from the Sponsoring Participant.

² The Sponsoring Participant must ensure that all interaction with the Exchange system by the Sponsored User is assigned the correct Sponsored User ID and that such Sponsored User ID is used exclusively for that Sponsored User's flow.

7 Trading Capacity

The Sponsoring Participant must ensure that all orders submitted by its Sponsored Users are flagged as client transactions (Riskless Principal).

8 Risk management controls

¹ In addition to the general pre-trade checks applied by the Exchange to an incoming order, all orders submitted by a Sponsored User undergo a further check to restrict Sponsored Access order flow to Normal Orders and Iceberg Orders at a limited price and with one of the following validities, as defined in the "Trading" Directive:

- a) Immediate-or-cancel (IOC or Accept);
- b) Fill-or-kill (FOK);
- c) At-the-opening;
- d) At-the-close; or
- e) Good-for-day.

² The Exchange furthermore provides specific pre- and at-trade risk management controls for Sponsoring Participants with regard to flow from their Sponsored Users. The use of these risk management tools is mandatory. It is the obligation of the Sponsoring Participant to configure and appropriately monitor these controls having due regard to the nature and complexity of each Sponsored User's flow and to act upon respective notices, warnings and alerts of a breach generated by the Exchange's system.

³ In addition to the mandatory specific pre- and at-trade risk management controls, the Exchange offers Sponsoring Participants an ability to prevent a Sponsored User from trading in certain securities or trading segments.

⁴ The Exchange furthermore provides the Sponsoring Participant with a "kill switch"-functionality to delete all of its Sponsored User's open orders and to prevent the Sponsored User from transmitting orders to the Exchange's system. The Sponsoring Participant may request the Exchange to activate such "kill switch"-functionality on its behalf, if for any reason, the Sponsoring Participant is not in a position to activate it on its own.

⁵ The Sponsoring Participant is obliged to initially assess and regularly review the effectiveness of the risk management controls and to promptly address any issues. It remains the obligation of the Sponsoring Participant to assess whether any additional risk controls are required.

9 Monitoring of Sponsored Access flow

¹ The Exchange provides the Sponsoring Participant with a drop copy feed on a real-time basis for all entries and deletions of orders transmitted by its Sponsored Users as well as executions and cancellations resulting therefrom.

² The Sponsoring Participant is obliged to appropriately monitor all Sponsored Access flow from its Sponsored Users.

10 Dedicated contact persons for Sponsored Access flow

¹ The Sponsoring Participant shall appoint a responsible contact person within its company for all matters arising in connection with the Sponsored Access offered to its Sponsored Users. This person shall be a trader registered with the Exchange who acts as central point of contact to ensure that Sponsored Access is conducted at all times in accordance with the rules of the Exchange and is in charge for internally supervising orders and trades resulting from Sponsored Access.

² The Sponsoring Participant shall ensure that the Sponsored User appoints respective contact persons on its side.

³ The Sponsoring Participant shall notify the Exchange of the names and contact details of such contact persons and their deputies, including any changes thereof.

11 Special information obligations

In addition to other information obligations of the participant laid out in the rules of the Exchange, the Sponsoring Participant must inform the Exchange without delay:

- a) of any changes in the information it has provided to the Exchange in context with the request to permit the respective Sponsored User Sponsored Access to the Exchange;
- b) if it has reason to believe that the Sponsored User no longer meets the due diligence requirements;
- c) if it has reason to believe that the Sponsored User no longer meets the technical requirements for connecting to the Exchange system; or
- d) if it loses the ability to monitor the Sponsored Access activities of its Sponsored User and/or is unable to access the specific risk management controls provided by the Exchange for configuration and monitoring by the Sponsoring Participant.

12 Special intervention rights

¹ In addition to all other intervention rights of the Exchange laid out in its rules, the Exchange and/or the Regulatory Bodies reserve the right to, at any time:

- a) request further information from the Sponsoring Participant with regard to each of its Sponsored Users, including a request to update or conduct further due diligence into the activities of the Sponsored User;
- b) suspend Sponsored Access of a Sponsoring Participant's Sponsored User with immediate effect
 - where it becomes aware of or has reason to believe that the information that has been provided by the Sponsoring Participant in context with the request to permit the respective Sponsored User Sponsored Access to the Exchange, including subsequently communicated changes, is not or is no longer accurate;
 - where it is not satisfied with information subsequently provided by the Sponsoring Participant for the respective Sponsored User in accordance with Clause 11 lit. a) of this Directive or is aware of adverse information;
 - upon receipt of information by the Sponsoring Participant in accordance with Clause 11 lit. b) or c) of this Directive;
 - where and for as long as the Sponsoring Participant is unable to monitor its Sponsored User's activities and/or is unable to access the specific risk management controls provided by the Exchange for configuration and monitoring by the Sponsoring Participant; and
 - where the Exchange and/or the Regulatory Bodies, for any other reasons, consider this necessary to preserve the fair and orderly functioning of the Exchange's market.

² In case of a suspension of Sponsored Access of a Sponsoring Participant's Sponsored User, the Exchange will delete all open orders transmitted by the Sponsored User from the Exchange's system and prevent the Sponsored User from further interacting with the Exchange's system.

³ The Exchange will endeavour to inform and consult with the Sponsoring Participant before suspending one of its Sponsored Users, where it deems so appropriate and feasible.

⁴ For the avoidance of doubt, suspension of a participant that also acts as Sponsoring Participant automatically implies suspension of Sponsored Access for all of its Sponsored Users.

13 Technical connectivity

¹ The technical connection of a Sponsored User is treated by the Exchange as an additional technical connection of the Sponsoring Participant and therewith fully falls into the Sponsoring Participant's responsibility.

² For the technical connection of a Sponsored User to the Exchange system the provisions of the "Technical Connectivity" Directive apply accordingly.

14 Fees and costs

Details are laid down in the "List of Trading Charges".

15 Termination of Sponsored Access

¹ The Sponsoring Participant or the Exchange may, at any time, terminate Sponsored Access of a Sponsoring Participant's Sponsored User, subject to a notice period of four weeks, effective at the end of a month. Termination results in the cancellation of the Sponsoring Participant's permission to permit the respective Sponsored User Sponsored Access.

² For the avoidance of doubt, termination of a participation agreement of a participant that also acts as Sponsoring Participant automatically implies termination of Sponsored Access for all of its Sponsored Users.

³ The right to exclude a Sponsoring Participant from permitting Sponsored Access or a Sponsored User from being permitted Sponsored Access in connection with sanction proceedings remains reserved.

Resolution of the Participants & Surveillance Committee of the Regulatory Board of 16 March 2018; in effect since 01 May 2018.