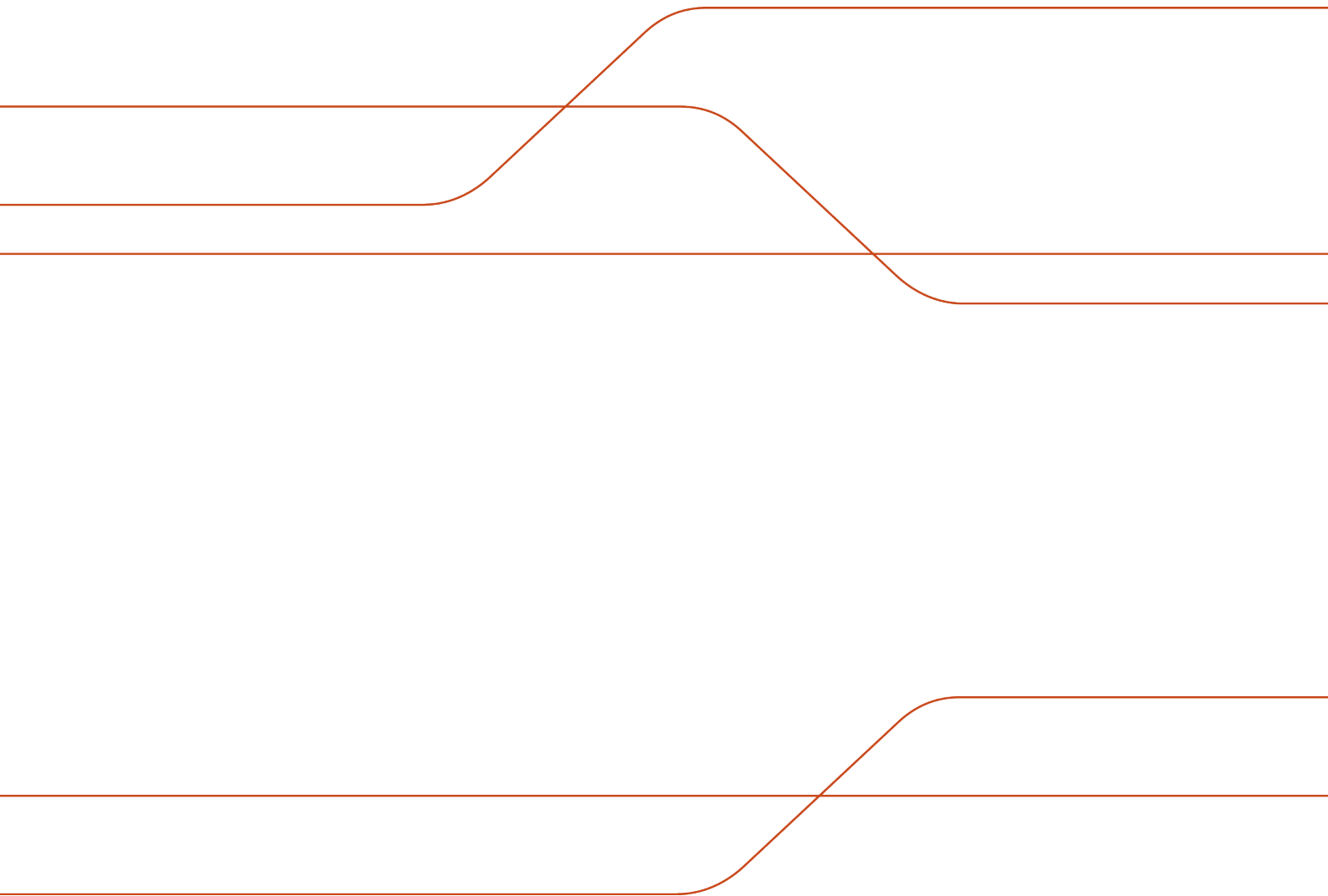




SIX Corporate Bonds AG
Directive 3: Trading

of 12/10/2017
Effective from: 23/10/2017



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1. Purpose and principle

This Directive contains provisions for trading on SIX Corporate Bonds and is based on the Rule Book.

2. General

2.1 Trading day and trading period

¹ SIX Corporate Bonds specifies the trading days in the trading calendar and publishes the calendar in a suitable way.

² A trading day shall consist of the following trading periods:

- a) Pre-opening;
- b) Start of trading;
- c) Trading;
- d) End of trading;
- e) Post-trading.

³ A trading day shall last from 06:00 to 22:00 (CET).

⁴ In special situations SIX Corporate Bonds may modify trading days.

2.2 Trading hours

¹ The trading hours are defined per trading segment and specified in the "Trading Parameters" Guideline.

² In special situations SIX Corporate Bonds may modify trading hours.

3. Definitions

3.1 Indication of Interest (IOI)

¹ An indication of interest ("IOI") is a non-binding indication to buy or sell a certain indicative quantity of one security at a indicative limited price.

² IOIs may be entered into or deleted from SIX Corporate Bonds at any time during the trading day. All incoming IOIs shall be assigned a time stamp and an identification number by the SIX Corporate Bonds system.

³ SIX Corporate Bonds only allows trades in benchmark bonds for hedging purposes of preceding trades in International Corporate Bonds. Therefore no IOIs are allowed to be entered in benchmark bonds.

⁴ An IOI must be recorded with the following attributes:

- a) Participant identification: party ID and trader ID;
- b) Transaction type: buy or sell;
- c) Trading capacity: client transaction (trading in own name but for the account of the client) or principal transaction (trading in own name and for own account);
- d) Identification of the security: ISIN, currency and trading venue;
- e) Indicative quantity: nominal value;

- f) Indicative price: limited (either a spread to a benchmark or a cash price in percentage);
- g) Matching eligibility criteria: same bond match or similar match;
- h) Validity:
 - 1. Day: valid until close of trading on the current trading day.
 - 2. Good Till Date: valid until close of trading on a certain trading day. The maximum term of validity shall be 30 trading days.

⁵ Participants shall not be allowed to have valid buy and sell IOIs for the same security simultaneously during any Trading Session.

⁶ Details are laid down by SIX Corporate Bonds in the relevant technical specifications.

3.2 Quote

¹ A quote is a binding offer to buy or sell a certain quantity of one security at a limited price.

² The term quote is used during Curtain Time and Market Session. All incoming quotes shall be assigned a time stamp and an identification number by the SIX Corporate Bonds system.

³ SIX Corporate Bonds only allows trades in benchmark bonds for hedging purposes of preceding trades in International Corporate Bonds. Therefore no quotes are allowed to be entered in benchmark bonds.

⁴ A quote must be recorded with the following attributes:

- a) Participant identification: party ID and trader ID;
- b) Transaction type: buy or sell;
- c) Trading capacity: client transaction (trading in own name but for the account of the client) or principal transaction (trading in own name and for own account);
- d) Identification of the security: ISIN, currency and trading venue;
- e) Quantity: nominal value;
- f) Price: limited (either a spread to a benchmark or a cash price in percentage);
- g) Trading Session: Curtain Time or Market Session;
- h) Hedging option (on spread-traded securities): Hedge, no hedge or indifferent.

⁵ Details are laid down by SIX Corporate Bonds in the relevant technical specifications.

3.3 Order

¹ An order is a binding offer to buy or sell a certain quantity of one security at a previously negotiated price.

² The term order is used during Private Work-up and Public Work-up. All incoming orders shall be assigned a time stamp and an identification number by the SIX Corporate Bonds system.

³ SIX Corporate Bonds only allows trades in benchmark bonds for hedging purposes of preceding trades in International Corporate Bonds. Therefore no orders are allowed to be entered in benchmark bonds.

⁴ An order must be recorded with the following attributes:

- a) Participant identification: party ID and trader ID;
- b) Transaction type: buy or sell;

- c) Trading capacity: client transaction (trading in own name but for the account of the client) or principal transaction (trading in own name and for own account);
- d) Identification of the security: ISIN, currency and trading venue;
- e) Quantity: nominal value;
- f) Trading Session: Private Work-up or Public Work-up.

⁵ Details are laid down by SIX Corporate Bonds in the relevant technical specifications.

3.4 Determination of cash price

¹ Securities admitted to trading on SIX Corporate Bonds are either traded with price type "spread" or "percent of par". The valid price types of the securities are defined by SIX Corporate Bonds and published together with the reference data.

² SIX Corporate Bonds will determine the cash price for trades which occurred at a spread over a benchmark. The defined cash price is calculated by evaluating the value of the underlying benchmark to the trade at the time that the trade occurred and then considering the effect of the spread. In case the option "Hedge" is triggered (subject to the rules in Clause 4.3.2.1 para. 3 lit. c), SIX Corporate Bonds will use the value as described above also as the price for the trade in the benchmark bond.

³ SIX Corporate Bonds evaluates the value of the underlying benchmark by obtaining market data from a third party provider.

⁴ SIX Corporate Bonds provides no warranty and makes no representations of any kind whatsoever with respect to the accuracy, completeness, up-to-dateness, reliability and relevance of the benchmark, the determined price, or the underlying data obtained from the third party provider.

⁵ Trades where no cash price can be determined by SIX Corporate Bonds will be declared null and void and cancelled.

⁶ The details are laid down in the "Market Control" Directive.

3.5 Determination of traded quantity for the benchmark trade

¹ SIX Corporate Bonds will determine the traded quantity of the benchmark bond (risk hedge amount) as follows:

Risk Hedge Amount = Risk Hedge Ratio_c * Nominal quantity of Corporate bond traded

² The Risk Hedge Ratio of the Corporate Bond is defined as:

$$\text{Risk Hedge Ratio}_c = \frac{DV01_c}{DV01_B}$$

³ The Risk Hedge Amount will be rounded by the smallest denomination of the benchmark.

⁴ SIX Corporate Bonds provides no warranty and makes no representation of any kind whatsoever with respect to the (correct) determination of the traded quantity.

3.6 Exceptions from pre-trade transparency

IOIs, quotes and orders which are large in scale (LIS) compared with normal market size are exempted from pre-trade transparency regulations.

3.7 Pre-trade controls

¹ SIX Corporate Bonds may reject IOIs, quotes and orders that exceed pre-determined volume thresholds, especially if the value of the IOI, quote or order exceeds the maximum order value (outstanding amount) of the security.

² The maximum order value per security is published in the reference data. The details are laid down in the "Trading Parameters" Guideline.

³ Market Control interventions remain reserved in accordance with the "Market Control" Directive.

⁴ SIX Corporate Bonds may publish exceptions for particular securities in a suitable way.

4. Market Model

SIX Corporate Bonds operates a MTF allowing participants to enter indications of interest (IOIs) into SIX Corporate Bonds. SIX Corporate Bonds anonymously matches IOIs against open IOIs from other participants during the notification period. The aim of the platform is always to place participants in a predictable but competitive situation, in order to incentivize the entry of quality quantities and prices. When an IOI match is found, the relevant participants are electronically notified and invited to enter a firm price and quantity, by generating a quote. All quotes are firm and can be hit or lifted in the Market Session. If the two parties agree on price, the lower of the two quantities is executed. Subsequent quantity can be executed against firm orders during Private Work-up and Public Work-up.

4.1 Pre-opening

¹ Pre-opening shall be the period between the start of the trading day and the actual start of trading.

² The participants may enter new IOIs in the SIX Corporate Bonds system or delete existing ones.

³ No notifications and Trading Sessions and therefore no pricing shall take place.

4.2 Start of trading

SIX Corporate Bonds shall start the trading period by allowing notifications of matching IOIs to be sent to participants.

4.3 Trading

Trading consists of the following trading phases:

- a) Notification;
- b) Trading Session.

4.3.1 Notification

¹ During the entire trading phase, SIX Corporate Bonds continuously attempts to match IOIs based on security, transaction type and matching eligibility criteria. SIX Corporate Bonds actively notifies participants when an eligible match is found.

² IOIs are matched based on the following matching eligibility criteria:

- a) Same Bond Match
Notification to participants of matching opportunity between IOIs in the same security; or

b) Similar Match

Notification to participants of near matching opportunity based on closeness of fit of the following ranking criteria:

- Sector
- Rating
- Duration
- Quantity
- Issuer
- Currency
- Security Type
- Seniority

³ No counterparty information shall be disclosed.

⁴ No transaction and therefore no pricing shall take place.

4.3.2 Trading Session

A Trading Session may consist of the following sessions:

- a) Curtain Time;
- b) Market Session;
- c) Private Work-up;
- d) Public Work-up.

4.3.2.1 Curtain Time

¹ Participants which have been notified of matching IOIs are able to initiate an optional Curtain Time prior to a Market Session in a certain security.

² In order to enter Curtain Time, the notified participants shall enter a binding quote. The first participant to enter a quote shall be the initiator of the Curtain Time.

³ The initiator can choose one of two different processes:

- a) Request Curtain Time: multiple participants on the opposite side are invited. During Curtain Time participants may enter and delete quotes. At the end of Curtain Time the two quotes with the best price-quantity-time priority (highest price limit for buy interests, lowest price limit for sell interests) shall be promoted to the Market Session if the hedging options match (subject to the rules in Clause 4.3.2.1 para. 3 lit. c) in the case of spread-traded securities.
- b) Immediate Market Session: Market Session begins as soon as a second participant enters a binding quote if the hedging options match (subject to the rules in Clause 4.3.2.1 para. 3 lit. c) in the case of spread-traded securities.

c) The following scenarios of hedging options apply in the case of spread-traded securities:

		Participant B		
		Hedge	No hedge	Indifferent
Participant A	Hedge	Negotiation starts which, if successful, results in a trade in the corporate bond and the benchmark bond	No negotiation starts	Negotiation starts which, if successful, results in a trade in the corporate bond and the benchmark bond
	No hedge	No negotiation starts	Negotiation starts which, if successful, results in a trade in the corporate bond only	Negotiation starts which, if successful, results in a trade in the corporate bond only
	Indifferent	Negotiation starts which, if successful, results in a trade in the corporate bond and the benchmark bond	Negotiation starts which, if successful, results in a trade in the corporate bond only	Negotiation starts which, if successful, results in a trade in the corporate bond only

⁴ No transaction and therefore no pricing shall take place.

⁵ The Curtain Time will last for a certain maximum time period defined by SIX Corporate Bonds specified in the "Trading Parameters" Guideline.

4.3.2.2 Market Session

¹ The participants determined to take part in the Market Session during the Curtain Time are invited to negotiate a price by entering quotes. The quotes are matched as follows:

- a) if the buy and sell prices are equal the trade is executed at the price of the quotes; or
- b) if the buy price is higher than the sell price the trade is executed at the mid-point price of the quotes.

² If a price is negotiated, the smaller quantity of the two quotes is executed. A separate trade in the benchmark bond will be executed if the option "Hedge" is triggered (subject to the rules in Clause 4.3.2.1 para. 3 lit. c) in the case of spread-traded securities.

³ No counterparty information shall be disclosed.

⁴ The Market Session will last for a certain maximum time period defined by SIX Corporate Bonds specified in the "Trading Parameters" Guideline.

4.3.2.3 Private Work-up

¹ On completion of the initial execution during the Market Session both involved participants are invited to trade additional quantity during the Private Work-up.

² Participants can adjust their quantity by entering binding orders. It is possible to amend and cancel orders.

³ In the Private Work-up the orders are executed on a continuous basis at the price determined by the participants during the Market Session. The smaller quantity of the two orders is executed. In the case of spread-traded securities, the hedging option triggered on the quote (subject to the rules in Clause 4.3.2.1 para. 3 lit. c) remains applicable throughout the entire trading session.

⁴ Any remaining quantity of the orders will go into the Public Work-up with time priority.

⁵ The Private Work-up will last for a certain time period defined by SIX Corporate Bonds specified in the "Trading Parameters" Guideline.

4.3.2.4 Public Work-up

¹ On completion of the additional executions during the Private Work-up, all participants initially involved in the Curtain Time as well as those participants with IOIs in securities of the same issuer are invited to trade during the Public Work-up.

² Participants can trade by entering binding orders. It is possible to amend and cancel orders.

³ The orders are matched according to the time priority principle.

⁴ In the Public Work-up orders are executed on a continuous basis at the price determined by the participants during the Market Session. The smaller quantity of the two matching orders is executed. In the case of spread-traded securities, the hedging option triggered on the quote (subject to the rules in Clause 4.3.2.1 para. 3 lit. c) remains applicable throughout the entire trading session.

⁵ The Public Work-up will last for a certain time period defined by SIX Corporate Bonds specified in the "Trading Parameters" Guideline.

4.4 End of trading

¹ Following end of trading no further notifications of matched IOIs will be sent to participants.

² Any ongoing Trading Sessions will continue for a certain time period defined by SIX Corporate Bonds and specified in the "Trading Parameters" Guideline.

4.5 Post-trading

¹ Post-trading shall be the period between the actual end of trading and the end of the current trading day.

² The participants may enter new IOIs in the SIX Corporate Bonds system or delete existing ones.

³ No notifications and Trading Sessions and therefore no pricing shall take place.

5. Correction

¹ A participant may correct the information on whether the trade was a principal or a client transaction.

² A trade may only be corrected once.

³ The correction must be made on the trading day following that on which the trade was made at the latest.

6. Cancellation

6.1 Principle

If trades which violate the provisions of the Rule Book have been made on SIX Corporate Bonds in error, the parties shall apply to SIX Corporate Bonds to have such trades cancelled.

In the event a trade in a corporate bond is cancelled in the case of spread-traded securities, the corresponding trade in the benchmark bond, if any, shall be cancelled as well.

6.2 Procedure

¹ Both of the parties involved in the trade shall apply in writing to SIX Corporate Bonds to have the trade cancelled.

² The application for the cancellation of a trade shall contain the following information:

- a) Identification of the participant;
- b) Identification of the security concerned (ISIN);
- c) Time of execution (trade date and time);
- d) Identification of the trade and, if applicable, of the corresponding trade in the benchmark bond (Trade Match ID).

³ A trade cannot be cancelled unless the information given by the two parties corresponds.

⁴ The cancellation must be made on the trading day following that on which the trade was made at the latest. An application from the parties shall be made no later than the trading day following that on which the trade was made.

⁵ As a rule, SIX Corporate Bonds will cancel the trade by the end of the trading day at the latest.

⁶ Under exceptional circumstances, SIX Corporate Bonds may extend these periods or refuse to cancel a trade.

6.3 Effect of a cancellation

If SIX Corporate Bonds cancels a trade at the request of the parties, it will publish the cancellation in the market information.

6.4 Costs

¹ SIX Corporate Bonds may charge a fee for cancelling trades on behalf of a participant.

² The details are laid down in the "List of Trading Charges".

7. Short-selling

7.1 Principle

¹ The short-selling of securities traded on SIX Corporate Bonds is permitted.

² The seller must cover settlement of the short sale at the latest upon settlement of the trade in accordance with Clause 13.1 Rule Book.

7.2 Special situations

In special situations, SIX Corporate Bonds may issue regulations on short-selling. In such cases, SIX Corporate Bonds will notify participants in the form of a Notice.

8. Classification of markets and trading segments

¹ SIX Corporate Bonds defines trading segments and allocates securities to these individual trading segments.

² SIX Corporate Bonds shall specify the provisions for the individual trading segments in the "Trading Parameters" Guideline.

Resolution of the Participants & Surveillance Committee of the Regulatory Board of 12 October 2017; in effect since 23 October 2017.

Annex A: Delayed Publication

SIX Corporate Bonds may delay the publication of trades.

1. Illiquid securities

SIX Corporate Bonds may delay the publication of a trade if for the security no liquid market exists.

A security shall be determined not to have a liquid market if it does not meet one or all of the following thresholds of the quantitative liquidity criteria on a cumulative basis:

Average nominal value of trades per trading day during a calendar year	< EUR 100,000 or the equivalent amount in the nominal currency of the security
Average number of trades per trading day during a calendar year	< 15
Average number of trading days on which traded during a calendar year	< 80%
Issue size during a calendar year	a) for government bonds < EUR 1 billion or the equivalent amount in the nominal currency of the security; or b) for other bonds < EUR 500 million or the equivalent amount in the nominal currency of the security

In the case of newly issued securities for which no data exists for the past three months, there is deemed to be no liquid market if the size of the government bond issue is less than EUR 1 billion and the issue size for other bonds is less than EUR 500 million (or the equivalent amount in the nominal currency of the security).

Corporate Bonds publishes the authoritative liquidity data per security with the static data.

2. Liquid securities

2.1 Trades which are size specific to the financial instrument (SSTI threshold)

SIX Corporate Bonds may delay the publication of a trade if the following provisions are met on a cumulative basis:

- a) for the security a liquid market exists;
- b) the trade is a transaction executed by systematic internaliser on own account ("Principal"); and
- c) the required minimum volume of the trade corresponds to the size specific to the instrument (SSTI) threshold of the securities concerned.

The required minimum trade volume for large-volume trades by a systematic internaliser (the SSTI threshold) corresponds to the 80th percentile of trading turnover on the exchange of the liquid securities in question during one calendar year, and is rounded down in each case to the nearest EUR 100,000.

SIX Corporate Bonds publishes the authoritative SSTI post-trade data per security with the static data.

2.2 Trades which are large in scale (LIS threshold) compared to the normal market size

SIX Corporate Bonds may delay the publication of a trade if the following provisions are met on a cumulative basis:

- a) for the security a liquid market exists;
- b) the required minimum volume of the trade corresponds to the large in scale (LIS) threshold.

The required minimum trade volume for large-volume trades (the LIS threshold) corresponds to the 90th percentile of trading turnover on the exchange of the liquid securities in question during one calendar year, and is rounded down in each case to the nearest EUR 100,000.

SIX Corporate Bonds publishes the authoritative LIS post-trade data per security with the static data.