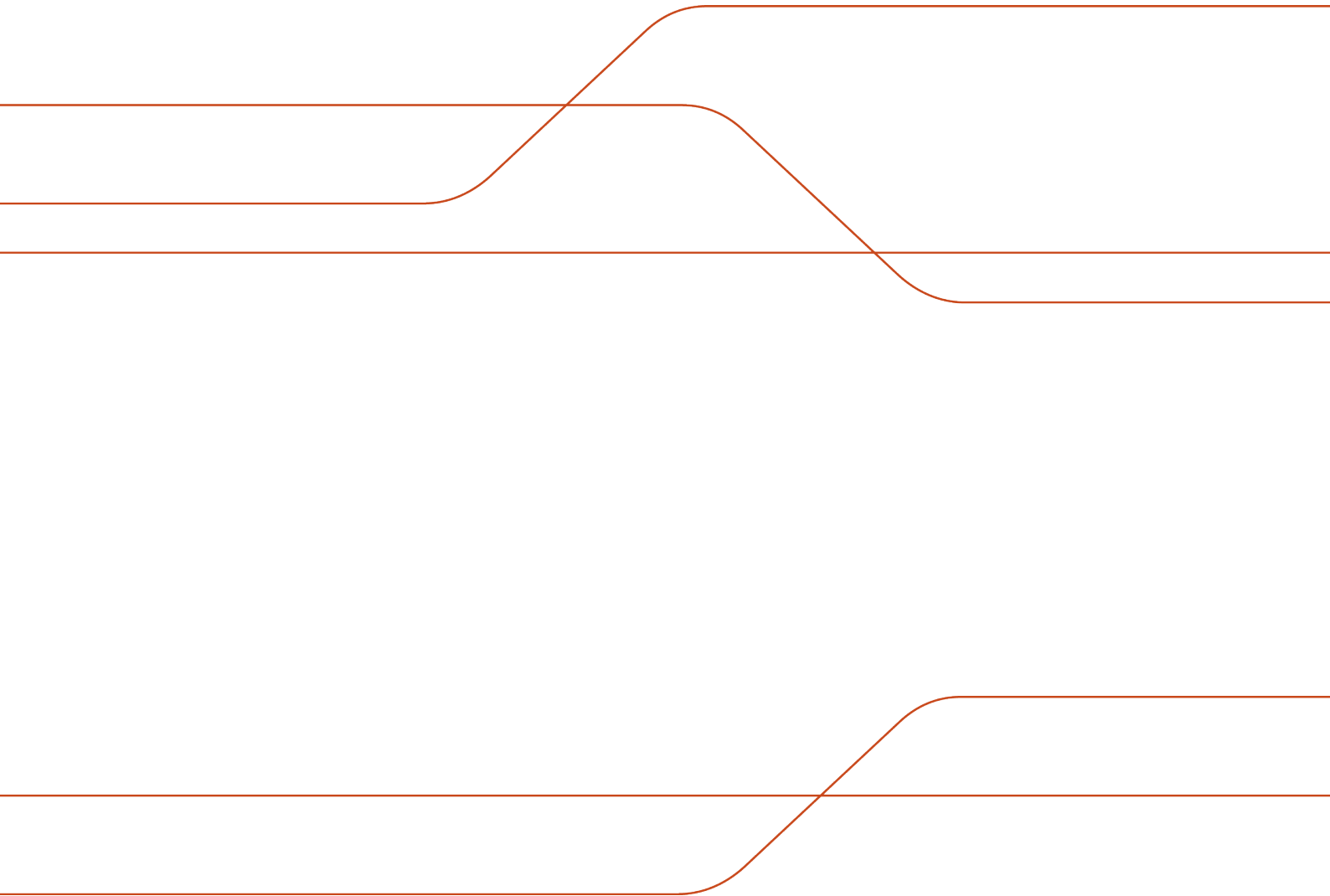




SIX Corporate Bonds AG  
Rule Book

of 22/01/2016  
Effective from: 01/04/2016



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## 1. Purpose

<sup>1</sup> Under the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA), the Rule Book governs the admission of participants on SIX Corporate Bonds AG ("SIX Corporate Bonds"), the organisation of securities trading on SIX Corporate Bonds, and the rules of conduct for participants and their traders.

<sup>2</sup> The Rule Book aims to ensure equal treatment of investors and participants, as well as the transparency and proper functioning of securities trading on SIX Corporate Bonds.

## 2. Structure of the Rule Book

<sup>1</sup> The Rule Book consists of the following five parts:

- I. The **Admission** section governs admission to participate in trading on SIX Corporate Bonds, the rights, obligations and exclusion of participants, as well as the suspension and termination of participation.
- II. The **Trading** section governs the organisation of trading on SIX Corporate Bonds, including how trades come about.
- III. The **Settlement** section describes the settlement of trades on SIX Corporate Bonds.
- IV. The **Monitoring and Enforcement** section governs how Rule Book compliance and enforcement are monitored, as well as the sanctions that may be imposed in the event of violations.
- V. The **Final Provisions** govern the confidentiality and partial invalidity of the Rule Book, how it may be amended, its binding nature, applicable law, place of jurisdiction, and transitional provisions.

<sup>2</sup> The provisions for implementing the Rule Book are laid down in Directives and are an integral part of the applicable rules and regulations.

<sup>3</sup> General explanations and technical instructions with regard to participants connection to the SIX Corporate Bonds system, as well as the organisation of trading, can be found in Guidelines.

<sup>4</sup> Notices inform participants about changes to the Rule Book, Directives and Guidelines.

## 3. Definitions and abbreviations

The following definitions and abbreviations are used in this Rule Book:

Activity	Activity includes indications of interest, orders and quotes
ASP	Application Service Provider
CO	Swiss Code of Obligations
CSD	Central securities depository (settlement organisation)
Curtain Time	Phase of the Trading Session in which the participants for the price negotiation are determined based on the price-quantity-time priority.
FINMA	Swiss Financial Market Supervisory Authority
FMIA	Financial Market Infrastructure Act
FMIO	Financial Market Infrastructure Ordinance
IOI	Indication of interest is a non-binding offer
Market Session	Trading phase in which participants negotiate the price

Order	Order is a binding offer to buy or sell securities during Private Work-up and Public Work-up
Participant	Trading participant of SIX Corporate Bonds
Private Work-up	Trading phase where the participants involved in the Market Session may execute additional quantity at the determined price during the Market Session.
Public Work-up	Trading phase where other participants may execute quantity at the determined price during the Market Session.
Quote	Quote is a binding offer to buy or sell securities during Curtain Time and Market Session
SESTA	Stock Exchange Act
SIX Corporate Bonds	SIX Corporate Bonds AG
SVE	Independent Surveillance & Enforcement department monitoring trading on SIX Corporate Bonds.
Trade	Execution of a quote or order on SIX Corporate Bonds.

# I Admission

*The provisions of Part I govern the admission of securities traders to participate in trading on SIX Corporate Bonds, the rights and obligations of participants, and the suspension and termination of participation.*

## 4. Admission requirements

SIX Corporate Bonds shall admit an applicant as a participant and conclude a participation agreement with it, providing it meets the following admission requirements:

### 4.1 Authorisation as securities dealer or remote member

The applicant must hold a licence from the Swiss Financial Market Supervisory Authority (FINMA) as a securities dealer pursuant to SESTA or an Authorisation of Foreign Participants from FINMA, as laid down in the FMIA.

### 4.2 Participation in a settlement organisation

The applicant must be a participant in a settlement organisation recognised by SIX Corporate Bonds, or must have access to such via a custodian.

### 4.3 Collateral deposit

<sup>1</sup> SIX Corporate Bonds may require participants to pay a collateral deposit, which is used to secure outstanding financial obligations to SIX Corporate Bonds and, secondarily, to cover outstanding obligations to other participants.

<sup>2</sup> The corresponding details are laid down in the "Admission of Participants" Directive.

### 4.4 Connection to the SIX Corporate Bonds system

<sup>1</sup> The applicant must satisfy the technical and operational requirements in order to be connected to SIX Corporate Bonds.

<sup>2</sup> The corresponding details are laid down in the "Technical Connectivity" Directive.

## 5. Participants' rights and obligations

Admission entitles the participant to take part in SIX Corporate Bonds for its own account and that of third parties.

### 5.1 Continued compliance with admission requirements

The participant must comply with the admission requirements laid down in this Rule Book for as long as it remains a participant.

### 5.2 Compliance with statutory and regulatory provisions and rulings from the relevant supervisory authority and SIX Corporate Bonds

The participant undertakes to comply with and enforce internally:

- a) the code of conduct for securities trading, as laid down in SESTA, the relevant FINMA circulars, and the corresponding professional standards;
- b) those domestic and foreign exchange-related laws that apply to it, the corresponding implementing provisions and the rulings of the relevant supervisory authority; and
- c) the Rule Book, the Directives as well as rulings issued by the SIX Corporate Bonds bodies.

## 5.3 Appropriate organisation and registration obligations

### 5.3.1 Principle

<sup>1</sup> The participant must:

- a) have a sufficient number of staff with the necessary specialist expertise, experience and training for securities trading and its processing;
- b) issue appropriate internal guidelines and monitor compliance with the Rule Book;
- c) appoint one or more internal officers to support the participant and its staff in complying with the Rule Book; and
- d) register responsible persons, specifically traders, with SIX Corporate Bonds and report any changes to SIX Corporate Bonds immediately.

<sup>2</sup> SIX Corporate Bonds may suspend or revoke existing registrations.

<sup>3</sup> The corresponding details are laid down in the "Admission of Participants" Directive.

### 5.3.2 Registration of traders

<sup>1</sup> The participant undertakes to register traders who trade on SIX Corporate Bonds. Such registrations must be made with SIX Corporate Bonds.

<sup>2</sup> SIX Corporate Bonds will register traders who are of good repute and can display to SIX Corporate Bonds that they possess sufficient specialist knowledge. Traders must be subject to the participant's direct right of instruction at all times and acknowledge the rules and regulations of SIX Corporate Bonds.

<sup>3</sup> SIX Corporate Bonds allocates a personal identification number to each registered trader. The SIX Corporate Bonds system shall record all system entries along with the trader's ID number. The identification number is personal but may be given to other registered traders for purposes of proxy. The participant shall ensure the traceability of this proxy.

## 5.4 Duty to provide information

<sup>1</sup> The participant undertakes to inform SIX Corporate Bonds immediately if:

- a) it has violated the Rule Book or is unable to comply with it;
- b) there is a technical problem connecting to the SIX Corporate Bonds system;
- c) the relevant supervisory authority has instigated proceedings against it, its traders or a person as described in Clause 5.3.1 para. 1 let. d above, or has issued a ruling, if these proceedings or rulings are relevant to the admission requirements or registration; or
- d) access to the settlement organisation has been or is very likely to be suspended or terminated.

<sup>2</sup> Furthermore, while obliged to uphold statutory confidentiality requirements, the participant must provide access to documents and all such information as is required to maintain an orderly market and to enforce the provisions of the Rule Book (Clause 15). Where statutory confidentiality requirements exist, SIX Corporate Bonds may demand information with identifying elements removed.



## 5.5 Use of SIX Corporate Bonds system

<sup>1</sup> The participant undertakes to use the SIX Corporate Bonds system in accordance with the provisions laid down by SIX Corporate Bonds.

<sup>2</sup> In particular, the participant must refrain from:

- a) manipulating or modifying the SIX Corporate Bonds system and its interfaces; and
- b) improper use or passing on of SIX Corporate Bonds software or data received from the SIX Corporate Bonds system.

<sup>3</sup> The details are laid down in the "Technical Connectivity" Directive.

## 5.6 Charges and costs

<sup>1</sup> The participant undertakes to pay all charges and costs laid down by SIX Corporate Bonds.

<sup>2</sup> The details are laid down in the "Fees and Costs" Directive.

# 6. Liability

## 6.1 Liability of SIX Corporate Bonds

<sup>1</sup> With the exception of intent and gross negligence on the part of its bodies or employees, SIX Corporate Bonds shall not be liable for the loss or damage that a participant, its clients or third parties might sustain from actions or omissions by SIX Corporate Bonds. Specifically, SIX Corporate Bonds shall bear no liability for the damage or loss as a result of:

- a) measures taken by SIX Corporate Bonds in special situations;
- b) orders issued by SIX Corporate Bonds;
- c) the full or partial unavailability of the SIX Corporate Bonds system, the settlement infrastructure or other technical problems;
- d) incorrect or incomplete data processing or distribution;
- e) improper manipulation by participants or third parties;
- f) the interruption or termination of participation or the suspension or exclusion of a participant;  
or
- g) the determination of the cash price for a security traded in spread.

<sup>2</sup> SIX Corporate Bonds shall accept no liability for claims extending beyond direct losses, for example compensation for indirect losses or consequential losses such as lost profit or additional expenses.

## 6.2 Liability of the participant

<sup>1</sup> The participant is liable for actions and omissions by the participant's internal bodies, employees and agents.

<sup>2</sup> The participant undertakes to ensure the necessary precautions to prevent loss. Specifically, it must have appropriate systems, controls and processes to monitor trades and transaction processing and to reduce potential risks.

## 7. Suspension and termination of participation

### 7.1 Suspension of participation

<sup>1</sup> SIX Corporate Bonds may, at any time, block a participant's access to the SIX Corporate Bonds system and/or delete its activity if:

- a) it fails to comply with the rules of SIX Corporate Bonds;
- b) the participant is unable to conduct its business properly;
- c) the participant defaults on payments connected to monetary claims by SIX Corporate Bonds or if insolvency is threatened or has already occurred;
- d) debt restructuring, composition or liquidation proceedings are instigated against the participant, or criminal proceedings commenced against the participant or one of its senior bodies; and
- e) the participant does not use the SIX Corporate Bonds system for a considerable period of time.

<sup>2</sup> SIX Corporate Bonds may publicly announce the suspension of participation and name the participant concerned.

<sup>3</sup> A participant may also be suspended in connection with sanction proceedings.

### 7.2 Termination of participation

#### 7.2.1 Termination

<sup>1</sup> The participant or SIX Corporate Bonds may terminate the participation agreement at any time subject to a notice period of four weeks, effective at the end of a month.

<sup>2</sup> The right to exclude a participant in connection with sanction proceedings remains reserved.

#### 7.2.2 Consequences of terminating participation

<sup>1</sup> Termination shall result in the cancellation of the participation agreement. Regardless of such termination, the participant must continue to fulfil all of its obligations to SIX Corporate Bonds, to the companies of SIX Group and the settlement organisations (CSD).

<sup>2</sup> SIX Corporate Bonds shall publicly announce the termination of a participant's participation.

## 8. Possibilities of appeal

<sup>1</sup> The participant may lodge an appeal with the independent Appeals Board against the following decisions by SIX Corporate Bonds:

- a) refusal to admit the participant;
- b) exclusion;
- c) refusal to register a trader; and
- d) revoking of a trader's registration.

<sup>2</sup> Proceedings shall be governed by the Rules that apply to the SIX Corporate Bonds Appeals Board.

## II Trading

*The provisions of Part II govern the organisation of trading on SIX Corporate Bonds.*

### 9. General provisions

#### 9.1 Trading on SIX Corporate Bonds

A trade conducted on SIX Corporate Bonds shall be designated as a "trade on an exchange-like organisation". Such trades shall be subject to the provisions of this Rule Book.

#### 9.2 Market conduct

<sup>1</sup> The participant and its traders must comply with applicable market codes of conduct, in particular those laid down in the Article 143 FMI and FINMA Circular 2013/08 "Market conduct rules", uphold the integrity of the market at all times and refrain from unfair trading practices. There must be an economic justification for securities transactions, and they must reflect a genuine relationship between supply and demand.

<sup>2</sup> In particular, the following trading practices are forbidden:

- a) concluding securities transactions and entering activity to give the impression of market activity or liquidity, or to distort or maintain prices at an artificial level or affect the valuation of securities, as well as entering fictitious trades and activity;
- b) concluding securities transactions at prices that differ substantially from those set on SIX Corporate Bonds, where this compromises the integrity of the market;
- c) entering buy and sell activity in a single security for the same beneficial owner.

<sup>3</sup> Trades that are attributable to improper market conduct shall be cancelled by SIX Corporate Bonds. Regardless of cancellation or rejection, sanctions of SIX Corporate Bonds remain reserved.

<sup>4</sup> SIX Corporate Bonds may issue regulations on short-selling. The details are laid down in the "Trading" Directive.

#### 9.3 Trading segments

<sup>1</sup> SIX Corporate Bonds shall define the trading segments and allocate securities to these segments.

<sup>2</sup> The "Trading" Directive determines the trading details, specifically the market model, the cycle of a trading day, the trading hours and the trading and settlement days.

#### 9.4 Eligible securities

<sup>1</sup> SIX Corporate Bonds shall determine the criteria for admitting securities.

<sup>2</sup> The details are laid down in the "Rules for the Admission of International Bonds to Trading on SIX Corporate Bonds".

#### 9.5 Market control

<sup>1</sup> SIX Corporate Bonds shall control trading and thereby promote the transparency, efficiency and liquidity of the securities market with the aim of treating investors and participants equally within their peer groups, and of protecting investors. Market control will be performed on a passive basis.

<sup>2</sup> SIX Corporate Bonds may suspend or interrupt trading, delete activity from the system and declare invalid or cancel completed trades.

<sup>3</sup> The details are laid down in the "Market Control" Directive.

## 9.6 Market surveillance

<sup>1</sup> The independent Surveillance & Enforcement (SVE) unit monitors trading with regard to its compliance with statutory requirements and the Rule Book.

<sup>2</sup> In particular, SVE shall monitor price-setting and trades in such a way that the exploitation of insider knowledge, price manipulations and other violations of the law can be identified.

<sup>3</sup> Should violations of the law or other improper events be suspected, the market surveillance unit shall notify the FINMA surveillance office and, where appropriate, the relevant criminal prosecution authorities.

## 9.7 Reporting

All trades executed on SIX Corporate Bonds, as described in Clause 9.1 are deemed to have been reported in the sense of FMIA.

## 9.8 Trading publicity

<sup>1</sup> SIX Corporate Bonds shall publish the details required to ensure the transparency of securities trading and transmitted by the participant or generated by the SIX Corporate Bonds system, specifically price information about the securities traded, and their trading quantities.

<sup>2</sup> The information is published promptly subject to any deferral of publication.

<sup>3</sup> The details are laid down in the "Trading" Directive.

# 10. Market model

## 10.1 Trading Session

<sup>1</sup> SIX Corporate Bonds operates a multilateral trading platform.

<sup>2</sup> SIX Corporate Bonds determines the market model and the rules that apply to price-setting on SIX Corporate Bonds.

<sup>3</sup> The details are laid down in the "Trading" Directive.

## 10.2 Indication of Interest

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

<sup>2</sup> IOIs may be entered in the SIX Corporate Bonds system, amended or deleted, during set periods. All incoming IOIs shall be assigned a time stamp and an identification number.

## 10.3 Quote

<sup>1</sup> A quote is a binding offer to buy or sell a certain quantity of one security at a limited price. The term quote is used during Curtain Time and Market Session.

<sup>2</sup> Quotes may be entered in the SIX Corporate Bonds system, amended or deleted, during set periods. All incoming quotes shall be assigned a time stamp and an identification number.

## 10.4 Order

<sup>1</sup> An order is a binding offer to buy or sell a certain quantity of one security at a previously negotiated price. The term order is used during Private and Public Work-ups.

<sup>2</sup> Orders may be entered in the SIX Corporate Bonds system, amended or deleted, during set periods. All incoming orders shall be assigned a time stamp and an identification number.

## 10.5 Trading Capacity

<sup>1</sup> All activity must be flagged as follows:

- a) as client trades, if trading takes place in the participant's own name but for the account of the client; and
- b) as principal trades, if trading takes place in the participant's own name and for his own account.

<sup>2</sup> The details are laid down in the "Trading" Directive.

## 11. Special situations

<sup>1</sup> Special situations shall be defined as exceptional situations and emergency situations.

<sup>2</sup> SIX Corporate Bonds decides at its own discretion whether there is a special situation.

### 11.1 Extraordinary situations

<sup>1</sup> Should an extraordinary situation arise, SIX Corporate Bonds may initiate any action which it deems necessary to maintain fair and orderly trading as far as possible.

<sup>2</sup> SIX Corporate Bonds may intervene in trading as it considers necessary, in particular by delaying the start of trading, suspending or interrupting trading in the entire market or in a security, suspending indications of interest, deleting orders and quotes, declaring trades invalid or cancelling completed trades.

<sup>3</sup> The following specific circumstances may be deemed to be extraordinary situations:

- a) major price volatility, especially where a trade differs significantly from a relevant recent market price;
- b) decisions or information which are to be published imminently and which might have a significant influence on the price of a security (price-sensitive facts); or
- c) other situations that might compromise fair and orderly trading.

<sup>4</sup> The details are laid down in the "Market Control" Directive.

### 11.2 Emergency situations

<sup>1</sup> Furthermore, in emergency situations SIX Corporate Bonds may suspend directives in full or in part, including the Rule Book, and replace them temporarily with new provisions instead. In particular, SIX Corporate Bonds may instruct participants to transmit settlement orders to a recognised settlement organisation directly. SIX Corporate Bonds may also temporarily interrupt trading in full or in part.

<sup>2</sup> The following specific circumstances may be deemed to be emergency situations:

- a) failure of the SIX Corporate Bonds system or SIX Corporate Bonds's access infrastructure or parts thereof;
- b) failure of a participant's access system;

- c) failure of the technical settlement infrastructure;
- d) force majeure; or
- e) other situations that might compromise fair and orderly trading.

<sup>3</sup> The details are laid down in the "Market Control" Directive.

### **11.3 Cancellation of trades**

<sup>1</sup> In special situations, SIX Corporate Bonds may declare trades invalid at its own discretion or upon application from one of the participants concerned if the rationale is valid.

<sup>2</sup> If SIX Corporate Bonds declares a trade invalid, it may cancel it.

<sup>3</sup> The details are laid down in the "Market Control" Directive.

## **12. Use and publication of market information**

<sup>1</sup> While upholding the professional secrecy regulations laid down in Article 147 FMIA, SIX Corporate Bonds shall publish market information such as price information, quantity and other data.

<sup>2</sup> The participant and its traders may use the market information transmitted via the SIX Corporate Bonds system.

<sup>3</sup> SIX Corporate Bonds may charge a fee for the distribution of market information by participants and third parties.

<sup>4</sup> The details are laid down in the "Market Information" Directive.

## III Settlement

*The provisions of Part III govern the settlement of trades.*

### 13. General provisions

<sup>1</sup> Securities trades shall be settled without the involvement of a central counterparty.

<sup>2</sup> The details are laid down in the "Trading" Directive.

#### 13.1 Execution of trades

<sup>1</sup> The transfer and payment of trades must occur two trading days after the trade itself (T+2) ("value date").

<sup>2</sup> The details are laid down in the "Trading" Directive.

#### 13.2 Settlement instructions

Participants must instruct settlement of all trades directly into the appropriate settlement organisation ("ICSD") to ensure settlement is fulfilled.

## 14. Contractual provisions

### 14.1 Contracting parties

A trade shall give rise to a contractual relationship between the participants concerned. The contracting parties shall bear the counterparty risk.

### 14.2 Content of contract

The contract concluded as described in Clause 14.1 must include the following content, unless the participants concerned conclude other agreements:

#### 14.2.1 Bonds

##### a) Principle

The rights (including coupons) and obligations, as well as all risks attached to the securities sold, are transferred to the buyer upon conclusion of the contract.

Bonds are traded as a percentage of their par value or in spread over a benchmark. The interest accrued on the par value shall be deemed to be the percentage stated in the SIX Corporate Bonds system, calculated between the date on which the last-paid coupon lapsed and the value date. It must be paid by the buyer in addition to the agreed price.

Unless the bond terms state otherwise, the calculation of accrued interest shall, as a rule, be based on the 30/360 method, with February also counted as having 30 days.

##### b) Non-performing bonds

Bonds that have either been defaulted on in full, or on whose coupons only a partial distribution has been paid, shall be traded flat, i.e. without accrued interest. The coupons designated in the SIX Corporate Bonds system must be transferred with the bonds themselves in such cases. These securities have a special flag in the SIX Corporate Bonds system.

Bonds on which interest is not paid in accordance with the bond terms owing to foreign exchange restrictions, moratoria on transfers or other circumstances, but which have a cou-

pon that may still hold a value, are traded flat, i.e. without accrued interest. These securities shall have a special flag in the exchange system as bonds that have a current coupon but for which no accrued interest is calculated.

SIX Corporate Bonds may apply different rules in special cases.

#### **14.2.2 Condition and deliverability of securities**

Securities that exist physically and are not transferred by means of book entries must be in good condition and deliverable in accordance with the rules of the settlement organisation concerned.

#### **14.2.3 Material warranty**

<sup>1</sup> The buyer must immediately check the securities they receive. Should the Buyer identify any defects with regard to their external condition in accordance with Clause 14.2.2, they must submit a complaint to the seller within two trading days of receipt at the latest.

<sup>2</sup> The complaint period for other defects runs for thirty days from the effective date of transfer. Complaints in respect of defects that are not identifiable in a routine check may be submitted for one year after the transfer of the securities. The complaint must be made no more than 14 days after the defect is discovered.

<sup>3</sup> Notice of defects given within the set time period shall give rise to a claim to have the defective securities exchanged for units without any defects, but not to any conversion or reduction of the purchase price.

#### **14.2.4 Legal warranty**

The Buyer shall continue to be covered by the entitlement to legal warranty of title as described in Article 192 et seq. CO, even if it has not exercised the right of exchange specified under Clause 14.2.3. This claim shall become time-barred after ten years.

#### **14.2.5 Consequences of default**

##### **a) Buy-in**

If a trade cannot be settled on the value date because the selling participant that is in default ("defaulting seller") does not hold the securities, the defaulting seller shall have a further two trading days during which to buy in the missing securities (buy-in on the part of the defaulting seller). The defaulting seller must reimburse the buying participant ("buyer") all direct and indirect costs that it may incur (including costs related to any securities borrowing operation).

If the defaulting seller is not itself able to obtain and deliver the missing securities by no later than noon CET four trading days after the value date (T+6) at the latest, the buyer shall itself be entitled to buy-in the same quantity of missing securities. The buyer must notify SIX Corporate Bonds and the defaulting seller of its intention to undertake such a buy-in by midnight of the preceding trading day at the latest. The defaulting seller must bear the costs incurred by the buyer as a result of the buy-in, in particular the difference in price if the price of the securities in question has risen. If the price of the securities has fallen, the defaulting seller shall not have any right to a refund of this difference.

If the buyer's buy-in cannot be effected on day T+6 owing to a lack of trading liquidity in the securities, the buyer shall be entitled to attempt a buy-in for a further 14 trading days, i.e. up to T+20.

Once a buy-in has been affected, the buyer must inform SIX Corporate Bonds and the defaulting seller on the same day, notifying them of the settlement details by fax or electroni-



cally.

b) Compensation

Should the buyer's buy-in attempts fail, the underlying contract between the defaulting seller and buyer shall lapse at the close of trading on day T+20 and instead give rise to a compensation claim on the part of the buyer.

This compensation claim shall amount to 30% of the contractual purchase price or, if higher, of the closing price on T+20.

**14.2.6 Applicable law and arbitration clause**

The contract between the participants shall be subject to Swiss law. The jurisdiction is governed by Clause 23.

**14.3 Execution**

<sup>1</sup> Trades must be settled via a settlement organisation recognised by SIX Corporate Bonds.

<sup>2</sup> The securities must be paid for in the agreed currency.

## IV Monitoring and enforcement

*The provisions of Part IV govern the monitoring of Rule Book compliance and enforcement. They also lay down the sanctions that SIX Corporate Bonds may impose on participants and their traders.*

*Sanction proceedings follow SIX Corporate Bonds's Rules of Procedure.*

### 15. Duties to provide information

While upholding bank client confidentiality, SIX Corporate Bonds is entitled to demand from participants all such information as it requires to enforce the Rule Book. Specifically, it may conduct inspections and question traders.

### 16. Audit

<sup>1</sup> SIX Corporate Bonds may, at any time, require participants to appoint a recognised audit firm or, at the request of the participant, the latter's internal auditors, to check compliance with certain provisions of the rules and regulations. Under special circumstances, SIX Corporate Bonds may also require participants at any time to have certain procedures and transactions reviewed with regard to their conformity with the Rule Book. While upholding bank client confidentiality, the participant must then submit a summary report of this audit to SIX Corporate Bonds.

<sup>2</sup> If the participant does not appoint an audit firm, one shall be appointed for it by SIX Corporate Bonds.

<sup>3</sup> The participant bears the costs of audits required by SIX Corporate Bonds.

### 17. Violations of the Rule Book

Where the provisions of the Rule Book have been violated, SIX Corporate Bonds may impose sanctions on participants and/or traders. Specifically, sanctions shall be imposed in response to the following actions or non-actions:

- a) violation of the rules and regulations of SIX Corporate Bonds;
- b) breach of contractual agreements with SIX Corporate Bonds;
- c) non-compliance with orders from SIX Corporate Bonds;
- d) attempted or actual damage to the SIX Corporate Bonds system;
- e) attempted or actual manipulation of or modifications to the SIX Corporate Bonds system, specifically its technical interfaces;
- f) improper use or passing on of SIX Corporate Bonds software or data received from the SIX Corporate Bonds system;
- g) obstructing the auditors in the performance of their duties; and
- h) failure to cooperate in sanction proceedings and failure to observe a sanction order, a sanction decision or an arbitral ruling.

### 18. Sanctions

<sup>1</sup> The following sanctions may be imposed:

- a) against a participant: reprimand, suspension or exclusion; fine and/or contractual penalty of up to CHF 10 million;

b) against a trader: reprimand, suspension or revoking of registration.

<sup>2</sup> Decisions on the imposing of sanctions shall take into account the gravity of the violation, the degree of fault, and any previous sanctions imposed on the participant or trader.

<sup>3</sup> The sanctions imposed on participants or traders, as well as the underlying violations, may be disclosed to the public and other participants.

## V Final provisions

### 19. Confidentiality

<sup>1</sup> SIX Corporate Bonds, its governing and executive bodies, employees and agents shall be subject to the professional secrecy regulations laid down in Article 147 FMIA.

<sup>2</sup> Notwithstanding provisions to the contrary in law or this Rule Book, SIX Corporate Bonds shall treat as confidential all participant-related information that it receives in connection with the Rule Book. SIX Corporate Bonds publishes such confidential information only with the consent of the participant concerned.

<sup>3</sup> The use of data which has had identifying information removed (such as price information and the turnover of securities) that does not permit the drawing of any conclusions on the underlying participant, shall not constitute a breach of the confidentiality obligation.

<sup>4</sup> SIX Corporate Bonds may disclose data to SIX Group companies and third parties, such as settlement organisations, provided SIX Corporate Bonds ensures that these parties are bound by confidentiality provisions that are comparable to those of this Rule Book.

<sup>5</sup> Notwithstanding any imperative provisions in law, the SIX Corporate Bonds may pass information on participants to supervisory authorities, the surveillance units of other exchanges and enforcement authorities, and may itself obtain information from such authorities.

### 20. Partial invalidity

In the event that individual provisions of this Rule Book are or become invalid, the validity of the remaining provisions remains unaffected. Should individual provisions of this Rule Book be or become wholly or partially ineffective, they must be interpreted in a way that restores their effectiveness. Where this is not possible, SIX Corporate Bonds shall issue a new rule within a reasonable period and enact it in accordance with the provisions on amendments to this Rule Book.

### 21. Amendments to the Rule Book

This Rule Book may be amended at any time. Participants shall be notified of such amendments in good time before they take effect. The amendments shall also be published on the SIX Corporate Bonds website. The amendments shall be binding on the participant unless the participant rejecting the changes terminates its participation agreement in writing before the amendments enter into force.

### 22. Binding nature

With their admission, the participant shall expressly acknowledge the Rule Book and SIX Corporate Bonds' other regulatory provisions and agree to be bound by them.

### 23. Applicable law and arbitration clause

<sup>1</sup> This Rule Book is subject to the substantive laws of Switzerland. It has been issued in the context of self-regulation activities, as described in Article 27 FMIA. This choice of law also applies to all of the legal issues referred to in Art. 2 para. 1 of the Hague Securities Convention.

<sup>2</sup> Disputes with SIX Corporate Bonds and the regulatory bodies (currently: these are Regulatory Board, SIX Exchange Regulation, the Sanction Commission and the Appeals Board), in particular those concerning sanctions that have been imposed, shall be decided solely and finally by their Zurich-based arbitration court, and only once internal channels of appeal have been exhausted in accordance with the above legal principles. The arbitration court comprises one chairman and one arbitrator appointed for each party for the case at hand. The chairman and his deputy are appointed by the President of the Swiss Federal Supreme Court for a four- year term of office. If several parties are plaintiffs or defendants, they agree on one common arbitrator otherwise the corresponding arbitrator will be appointed by the competent court. The chairman may conduct verbal arbitration proceedings. The third part of the Swiss Federal Code of Civil Procedure (Schweizerische Zivilprozessordnung) is applicable to the arbitration proceedings. In any case a possible arbitration code passed by the Regulatory Board supercedes the Swiss Federal Code of Civil Procedure and Chapter 12 of the Federal Statute on Private International Law (Bundesgesetz über das internationale Privatrecht [IPRG], SR 291) is expressly excluded.

## 24. Entry into force

<sup>1</sup> Following the Regulatory Board Decisions of 4 November 2014 and 22 January 2016, this Rule Book shall enter into force on 1 April 2016.

<sup>2</sup> FINMA approved the Rule Book on 25 February 2015 and on 12 February 2016.