SIX Structured Products Exchange Ltd.

Directive 3: Trading

of 17/07/2015
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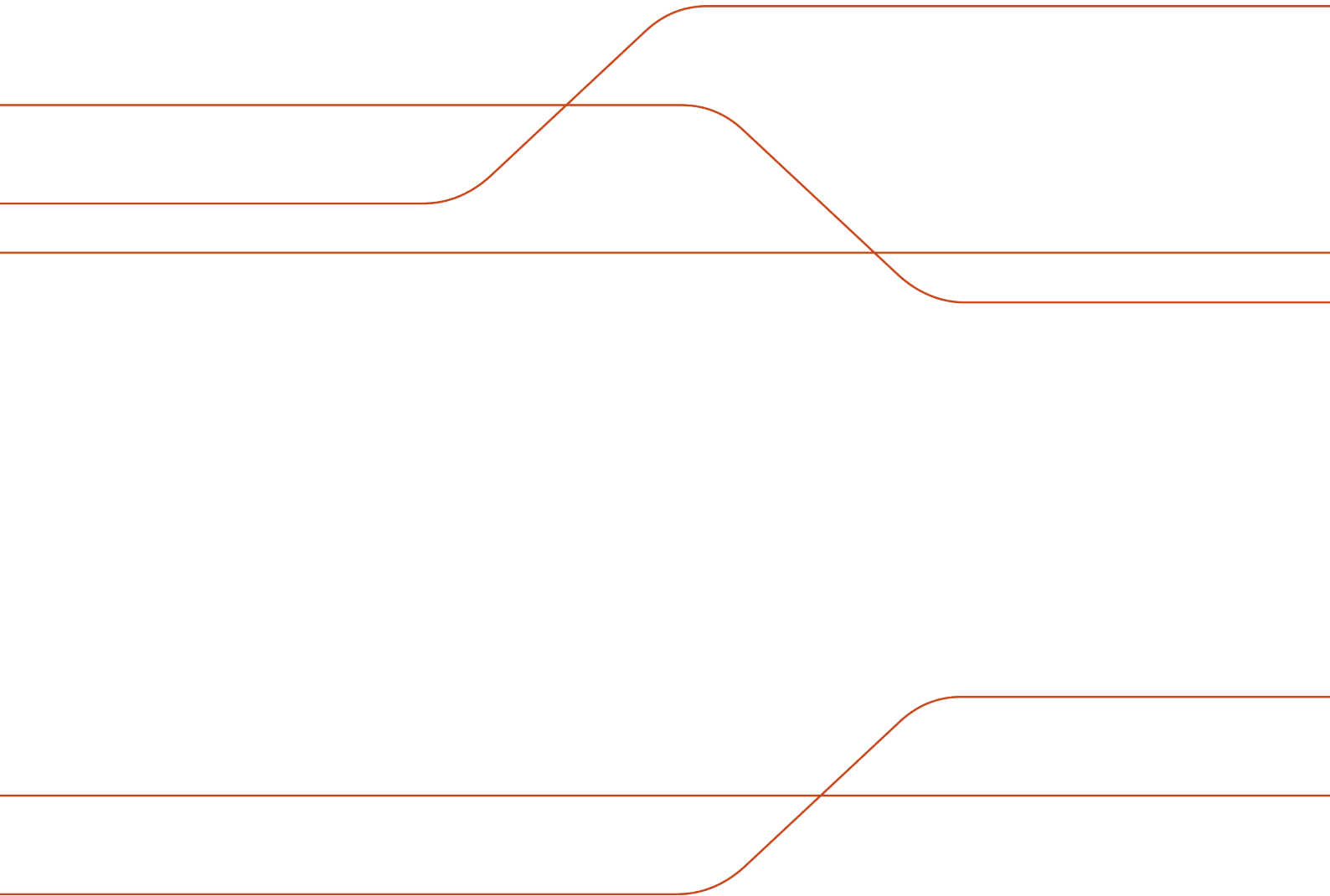
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1. Purpose and principle

This Directive contains provisions for trading on the Exchange and is based on Part II of the Rule Book.

I   General

2. Trading day and trading period

[1] The Exchange 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) Opening;

c) Continuous trading;

d) Close of trade with or without closing auction;

e) Post-trading.

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

[4] In special situations the Exchange may modify trading days.

3. Clearing day

[1] A clearing day shall last from 08:00 to 18:15 (CET).

[2] In special situations the Exchange may modify clearing days.

4. Trading hours

[1] The trading hours are specified per trading segment.

[2] In special situations the Exchange may modify trading hours.

II   Definitions

5. Order and quote

5.1 Order

5.1.1   Definition

[1] In accordance with Clause 10.2 Rule Book, an order is a binding offer to buy or sell a certain quantity of one security at an unlimited or limited price.

[2] Orders may be entered in or deleted from the orderbook during set periods. All incoming orders shall be assigned a time stamp and an identification number. Amended orders shall lose their original time priority and be given a new time stamp.

5.1.2   Order types

[1] The Exchange supports the order type Normal order.

[2] A Normal order may be entered at any time during the trading day and is visible in the order book. Non-executed parts of the order remain in the order book until they have been executed or deleted, or have expired.

5.1.3   Order specification

An order must be recorded with the following attributes:

a) **Participant identification:** member ID and trader ID;

b) **Designation of the type of transaction:** buy or sell;

c) **Trading capacity:** client transaction (trading in own name but for the account of the client) or nostro transaction (trading in own name and for own account);

d) **Identification of the order book:** ISIN, trading currency and trading centre;

e) **Quantity:** number of securities or nominal value for percent-listed instruments;

f) **Price limit:** limited or unlimited;

g) **Validity:**

   1. Immediate-or-cancel (IOC or Accept): shall be executed immediately, in full or inasmuch as is possible. Non-executed parts of the order shall be deleted without entry in the order book;

   2. Fill-or-kill (FOK): shall be executed immediately and in full or not at all. If an immediate, full execution is not possible, the order shall be deleted without entry in the order book;

   3. At-the-opening: may be entered only during pre-opening and remains valid up to and including opening. Non-executed parts of the order shall be deleted after opening;

   4. Good-for-day: valid until close of trading on the current trading day;

   5. Good-till-date: valid until close of trading on a certain trading day. The maximum term of validity shall be one year.

Details are laid down by the Exchange in the relevant technical specifications.

5.2   Quote

5.2.1   Definition

Quote specifies the simultaneous entry of one or more limited buy and/or sell orders in a single instruction. It shall remain in the order book until it is executed, overwritten or deleted.

5.2.2   Quote specification

A quote must be recorded with the following attributes:

a) **Participant identification:** member ID and trader ID;

b) **Transaction type:** buy and/or sell;

c) **Trading capacity:** client transaction (trading in own name but for the account of the client) or nostro transaction (trading in own name and for own account);

d) **Identification of the order book:** ISIN, trading currency and trading venue;

e) **Quantity:** number of securities or nominal value for bonds for buy and/or sell;

f) **Price limit:** limited;

g) **Validity:** Good-for-day: valid until the end of the trading day on the current trading day;

Details are laid down by the Exchange in the relevant technical specifications.

6.   Price-time priority

The price-time priority principle means that the order with the better price (highest price limit for buy orders, lowest price limit for sell orders) shall be executed first. Unlimited orders shall enjoy top priority when consolidating orders. For orders with the same price, the order received first shall also be executed first.

7.   Auction and principle of highest executable volume

[1] Prior to the auction, the participant may enter new orders in the orderbook or delete existing ones without executions coming about.

[2] The price of the auction shall be determined taking into account all limited and unlimited orders and quotes in the orderbook and, in certain cases, by the reference price. Orders and quotes shall be treated equally in the auction.

[3] According to the principle of highest executable volume the largest possible quantity executable shall be executed at a single price specified in the auction. The following rules shall apply here:

a) orders shall be considered in accordance with the price-time priority principle;

b) unlimited orders shall be executed with limited and unlimited orders on the opposite side. If not all unlimited orders can be executed, no executions shall take place and the orderbook shall remain closed (Non Opening). Valid orders shall remain in the orderbook;

c) limited orders shall be executed until one side of the book is empty or the best buy price remaining in the orderbook is lower than the best sell price;

d) if two unlimited orders of the same quantity are executed last, the price of the auction shall correspond to the reference price.
If the reference price is below (above) the best buy order (sell order) remaining in the book, it shall determine the price of the auction;

e) if one unlimited and one limited order are executed last, the price of the auction shall correspond to the remaining limit;

f) if limited orders of different quantities are executed at two price levels last, the price of the auction corresponds to the price level of the bigger order quantity;

g) if limited orders of equal quantities are executed at two price levels last, the price of the auction shall correspond to the arithmetic mean of both price levels, rounded up to the next valid price level.
If the arithmetic mean is below (above) the best buy order (sell order) remaining in the book, it shall determine the price of the auction;

[4] The price for all trades in the auction shall be determined by the last price establishment in accordance with the rules of this Clause.

8.   Continuous trading

[1] In continuous trading, transactions are triggered by an incoming order or quote which is executed with the orders or quotes on the opposite side of the orderbook to the extent the quantity and limit allow it. In contrast to an auction, the price for each transaction shall be determined individually.

[2] The following rules shall apply here:

a) An incoming order shall be checked for feasibility and shall be immediately executed in accordance with the price-time priority with orders or quotes on the opposite side of the orderbook in one or more steps and prices;

b) if an order is not or is only partially executed, it shall be placed in the orderbook with any limit and a time stamp. Other order validities remain reserved;

c) if an incoming, unlimited order is executed with an unlimited order on the opposite side of the orderbook, the execution shall take place at the reference price. If the reference price is below (above) the best buy order (sell order) remaining in the book, it shall determine the price of the execution;

d) if an incoming, unlimited order is executed with an unlimited order on the opposite side of the orderbook, the execution shall take place at the reference price;

e) if an incoming, limited order is executed with an unlimited order on the opposite side of the orderbook, the execution shall take place at the reference price. If the reference price is below (above) the best buy order (sell order) remaining in the book on the opposite side, it shall determine the price of the execution;

f) if an incoming, limited order is executed with a limited order on the opposite side of the orderbook, the execution shall take place at the price of the common limit. If the limit of the buy order is above the limit of the sell order, the limit which is more beneficial from the standpoint of the incoming order shall be used.

[3] In addition to the provisions above, the rules of quote-based pricing in the Market Maker Book shall also apply.

[4] The Exchange may provide Self Match Prevention during continuous trading in certain trading segments. At the request of the participant, opposite buy and sell orders or quotes under their own participant identification (Member ID) which are flagged as nostro transactions will not be executed in the order book. The Exchange will delete the order or quote with the older time stamp from the order book, irrespective of the order type or quantity.

9.   Reference price adjustment

[1] The Exchange may adjust the reference price in the following cases, in particular:

a) If there is no trade on the Exchange in the order book during trading hours, despite an open order book. The reference price shall be adjusted as follows after the close of trading:
If the previous reference price is lower than the best bid price, the reference price shall be the best bid price. If the previous reference price is higher than the best ask price, the reference price shall be the best ask price. If, at the close of trading, there is no bid price and no ask price in the order book, the reference price shall not be adjusted.

b) If the trade which resulted in the reference price has been annulled by the Exchange. The reference price shall be adjusted as follows after the close of trading:
If a valid on-exchange, off-order-book trade had taken place during trading hours, the reference price shall be last on-exchange price listed in the order book. If there has been no valid on-exchange, on-order-book trade during trading hours, the reference price shall be determined pursuant to Clause 9 para. 1 lit. a.

c) If the price steps for a security are modified. The Exchange shall adjust the reference price prior to the opening of trading if the reference price does not correspond to the newly valid price steps.

[2] Further manual adjustments to the reference price remain reserved.

10. Trade suspension

[1] In particular, the Exchange may suspend trading if:

a) in the Market Maker Book there is no quote in the orderbook on the opposite side at the time of a possible execution. Trading shall not be suspended if a limited order with the same price remains in the orderbook on the same side (buy/sell) of the orderbook as the quote executed last, provided that the limited order was already in the orderbook at the time of the execution of the quote; or

b) trading in the underlying is suspended.

[2] The terms and stop trading duration are determined by the Exchange per trading segment. The Exchange shall publish exceptions for individual securities in a suitable manner.

[3] The participant may enter new orders and quotes during a trade suspension or delete existing ones.

[4] After expiry of a trade suspension, the book shall be reopened with an auction.

[5] Market control interventions remain reserved in accordance with the Market Control Directive.

III   Market model

11. Market Maker Book (MMB)

11.1 Orders and quotes

The Market Maker Book (MMB) market model shall treat orders from participants and quotes from licensed market makers differently.

11.2 Market making

[1] The admitted market maker shall ensure a liquid market, by placing quotes in the orderbook of individual securities.

[2] The Exchange may admit one or more market makers per security.

[3] The rights and duties of the market maker shall be defined by the Exchange per market segment.

11.3 Pre-opening

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

[2] Participants and market makers may enter new orders and quotes in the orderbook or delete existing ones.

[3] The Exchange shall calculate the theoretical opening price (TOP) in the auction procedure and publish it on an ongoing basis.

[4] No transaction and therefore no pricing shall take place.

11.4 Opening

[1] The Exchange shall open continuous trading with an auction.

[2] The exchange shall extend the auction time once if two orders can be combined to one trade without a quote being in the orderbook at the time (Delayed Opening). The Exchange shall open trading during the trade suspension as soon as a quote has been entered but no later than at the expiry of the trade suspension.

[3] The Exchange shall not open trading if not all unlimited orders are executed in the auction procedure (Non Opening). In this condition, a theoretical opening price (TOP) can also not be calculated.

11.5 Continuous trading

[1] Incoming orders and quotes shall be executed in one or more parts at equal or different prices in accordance with the price-time priority principle taking into account the quote-based pricing.

[2] If an order or quote cannot or can only be partially executed, the remainder shall remain in the orderbook. Other order specifications remain reserved.

[3] An incoming quote shall be executed with an existing order at the quote price (and not at the order price) if the quote quantity is greater than or equal to the order quantity (Quote Domination). If a better limit remains on the opposite side than the incoming quote price, this limit shall determine the price of the transaction.

[4] The Exchange may in certain instances suspend continuous trading.

[5] The reference price shall correspond to the last paid price.

[6] The Exchange may adjust the reference price in certain cases.

11.6 Close of trade without closing auction

[1] Trading shall close on the expiry of the continuous trading period.

[2] The closing price and reference price shall correspond to the price last established in continuous trading. If there is no trade during the day, there shall be no new closing price and the existing reference price shall remain unchanged.

[3] The Exchange may adjust the reference price in certain cases.

11.7 Post-trading

[1] After the close of trading, the Exchange shall delete all non-executed orders whose validity ends on the date of the current trading day.

[2] Participants and market makers may enter new orders and quotes in the orderbook or delete existing ones. Orders with a validity date of the current trading day shall not be accepted.

[3] The Exchange shall calculate the following day's theoretical opening price (TOP) in the auction procedure and publish it on an ongoing basis.

[4] No transaction and therefore no pricing shall take place.

[5] Quotes shall expire at the end of the trading day.

11.8   Special fees

[1] The Exchange may levy a special fee for the use of the "fill or kill" (FoK) and "accept" order types, as well as where such order types are replicated by a participant.

[2] The details are laid down in the "Fees and Costs" Directive.

IV   Reporting of trades to the Exchange

12.   Trade reports

[1] Transactions outside the order book may be reported to the Exchange in accordance with Clause 11 Rule Book.

[2] The report shall be specified with the following attributes:

a)   **Identification of the participant:** member ID and trader ID;

b)   **Designation of the type of transaction:** buy or sell;

c)   **Identification of the securities concerned:** ISIN;

d)   **Quantity:** number of traded securities or nominal value for percent-listed instruments;

e)   **Price:** price or closing price (incl. currency);

f)   **Execution time:** trade date and time;

g)   **Value date:** the value date corresponds to the general rule (T+2) if the transactions are transferred and paid for within two days of the trade;

h)   **Information whether the trade was a nostro or a client transaction:** client transaction (trading in own name but for the account of the client; CU) or nostro transaction (trading in own name and for own account; PR);

i)   **Designation of the counterparty:** counterparty (participant, other securities dealer, client);

j)   **Trading centre:** trading centre code;

k)   **Trade Types:** designation which further specifies the trade report. A list of all Trade Types can be found in Annex B.

13.   Reporting functions

In accordance with Clause 11.1.3 Rule Book, the following reporting functions are available to the participant:

13.1   Two-sided Trade Report

13.1.1   Trades with other participants

[1] The participant shall report trades with another participant to the Exchange as a two-sided Trade Report.

[2] The Exchange transmits the transaction information to the relevant settlement organisation.

[3] If the trade is not made in accordance with the provisions of the Rule Book, it shall be reported using the "Off Exchange" Trade Type.

13.1.2   Trades with non-participants with Securities Dealer status

[1] The participant shall report trades with non-participants with Securities Dealer status as a two-sided Trade Report.

[2] A participant may report trades resulting from Transmissions of Orders, in which he acts as principal in its own name towards a non-participant with securities dealer status, to the Exchange as a one-sided trade report in the name of the parties involved. These trades must be reported using the Trade Type "Both Parties", and the identification of the counterparty (member ID) must also be given.

[3] The Exchange does not forward these trades to a settlement organisation.

[4] If the trade is not made in accordance with the provisions of the Rule Book, it shall be reported using the "Off Exchange" Trade Type.

13.2 One-sided Trade Report

[1] The participant shall report trades with non-Securities Dealers to the Exchange as an one-sided Trade Report.

[2] The Exchange does not forward one-sided Trade Reports to a settlement organisation.

[3] If the trade is not made in accordance with the provisions of the Rule Book, it shall be reported using the "Off Exchange" Trade Type.

V   Correction, cancellation and countertrade

14. Correction

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

[2] A trade may only be corrected once.

[3] The correction must be made by the following exchange day at the latest.

15. Cancellation

15.1 Principle

15.1.1   Irregular on-exchange trades

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

15.1.2   Incorrect Trade Reports to the Exchange

Where a Trade Report contains errors, the parties shall apply to the Exchange to have the report cancelled. This applies particularly in the following cases:

a) A transaction has not taken place because of legal defects, for example;

b) The content of the report as per Clause 12 contains errors;

c) The transaction is not subject to the obligation to report.

15.2 Procedure

[1] Both of the parties involved in the trade shall apply to the Exchange to have a trade cancelled. The Exchange shall provide suitable means and determine a suitable procedure for this application.

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

a) Identification of the participant

b) Identification of the securities concerned (ISIN)

c) Time of execution (trade date and time)

d) Identification of the trade (Trade Match ID)

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

[4] The application from the parties shall be made no later than the trading day following that on which the trade was made.

[5] The Exchange will generally cancel the trade no later than the end of the trading day.

[6] Under exceptional circumstances, the Exchange may extend these periods or refuse to cancel a trade.

15.3 Effect of a cancellation

If the Exchange cancels a trade at the request of the parties, it will publish the cancellation in the market data.

15.4 Costs

[1] The Exchange may charge a fee for entering and cancelling trades on behalf of a participant.

[2] The details are laid down in the "Fees and Costs" Directive.

16. Countertrade

With the consent of both parties, a participant may make a countertrade. When reporting the countertrade, the ID of the original trade shall be given, and the report shall be marked with the "Special Price" Trade Type.

VI   Short-selling

17. Principle

[1] The short-selling of securities traded on SIX Structured Products Exchange is permitted.

[2] The seller must settle the short sale at the latest upon execution of the trade in accordance with Clause 13.1 Rule Book.

18. Special situations

In special situations, the Management Committee of the Exchange may issue regulations on short-selling. In such cases, the Exchange will notify participants in the form of a Notice.

VII Trading Segment Structured Products

19. Breakdown into product categories

[1] The trading segment Structured Products is broken down into the following product categories:

– Warrants on equity securities

– Warrants on baskets, indices, commodities and currencies

– Warrants on Bonds of the Swiss Confederation

– Interest rate warrants

– Structured Products Warrants & Certificates

– Structured Products Bonds

[2] The Exchange shall assign the securities to the various product categories.

[3] The Exchange specifies the provisions for the trading segment Structured Products in the annexes to this Directive. The annexes form an integral part of this Directive.

Resolution of the Management Committee of the Exchange of 17 July 2015; in effect since 26 October 2015.

Annex A: Structured Products

1.   Trading periods and times

The trading periods and times shall be set as follows:

a) pre-opening from 06:00 to 09:15 (CET);

b) opening from 09:15 (CET) with random opening within two minutes;

c) ongoing trading from opening until 17:15 (CET); warrants on badns of the Swiss Confederation close at 17:00 (CET);

d) close of trade without closing auction;

e) post-trading from close of trading until 22:00 (CET).

2.   Market model and order types

The rules of the Market Maker Book market model shall apply.

Normal orders and quotes are supported.

Self match prevention is not supported.

3.   Duty to trade on the Exchange

The duty to trade on the Exchange shall apply in accordance with Clause 4.5 Rule Book.

The duty to trade on the Exchange shall not apply for orders with a market price of CHF 100,000 or more.

The above limit shall also apply to individual orders in foreign currency, while the market price of these orders shall correspond to the relevant equivalent value (current foreign currency rate set by SIX Structured Products Exchange Ltd.) in CHF.

4.   Trade suspension

The Exchange shall extend the auction time in the opening (Delayed Opening) once or shall suspend trading if there is no quote in the order book at the time of possible execution. Trading shall be immediately resumed as soon as a quote is entered, but no later than after 30 seconds.

The Exchange may suspend trading if trading in the underlying is suspended. Trading is only suspended if the corresponding derivative is based on one single underlying with its primary listing on SIX Swiss Exchange.

In certain cases, the Exchange may adjust these parameters at short notice. The Exchange shall communicate such adjustments in a suitable manner.

5.   Price steps and round lots

5.1   Warrants, Structured Products Warrants & Certificates

The valid price steps shall be defined as follows depending on the limit (details in trade currency):

	from	to	Price steps
a)	0.01	9.99	0.01

	from	to	Price steps
b)	10	99.95	0.05
c)	100	249.90	0.10
d)	250	499.75	0.25
e)	500	999.50	0.50
f)	1,000	4,999	1.00
g)	5,000	etc.	5.00

5.2   Structured Products Bonds

The valid price steps shall be 0.01% of the relevant trade currency, regardless of the limit.

The valid round lots are defined by the Exchange per security and published together with the static data.

6.   Market making

The Exchange can organise market making. The terms of market making in the corresponding instrument are specified under a separate market making agreement.

7.   Clearing and settlement

Trades in eligible securities shall not be cleared and settled via a central counterparty. The provisions of Clause 14 Rule Book shall apply.

The counterparty shall be disclosed.

8.   Deadline for reporting off-order-book trades

If a trade is made off-order-book during continuous trading, the report shall be made immediately, but no later than three minutes after the trade.

Trades executed off-order-book outside of continuous trading shall be reported before the opening of trading on the next trading day at the latest.

9.   Delayed publication of reported trades

The delayed publication function is not available.

Annex B: Trade Types

Trade Types for Trade Reports:

a) "Special Price" specifies a report whose price differs from the market price at the time of entry (VWAP, portfolio trade, countertrade, Trade Report following an emergency situation, etc.);

b) "Off-Exchange" specifies a report of a trade which is not subject to the provisions of the Rule Book.

c) "Transaction Report" specifies a Delivery Report which is reported as a Transaction Report in accordance with the Reporting Office Rules for the Fulfilment of the Legal Reporting Requirements for Securities Dealers.

d) "Both Parties" specifies a one-sided Trade Report which is reported to the Exchange in the name of both of the parties involved in the trade.