

Joint media release

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Issuer risk on structured products limited thanks to collateral security

Scoach Switzerland Ltd. and the Swiss Structured Products Association, SSPA, have presented key changes to structured products in Switzerland at a joint media event. These changes include collateral security for structured products, as well as the formulation of a new risk classification system and the integration of the Swiss categorisation system in Europe.

At the initiative of Scoach Switzerland and the Swiss Structured Products Association, SSPA, an innovative service has been developed to minimise issuer risk by means of collateral security. The new service will be offered by SIX Swiss Exchange Ltd and is rooted in the tried-and-trusted securities lending infrastructure of SIX SIS Ltd and Eurex Zurich Ltd. Collateral security functions via a sophisticated collateralisation mechanism which factors in an impartial valuation of the individual structured product, independent of the issuer. The launch is planned for early in the second quarter of 2009.

Liquid securities deposited as collateral

From the legal viewpoint, structured products are actually bearer bonds. As such, investors in structured products bear a default risk that depends on the creditworthiness of the issuer. In the future, the new collateral-secured system of structured products will be able to reduce this issuer default risk significantly. It involves the issuer depositing liquid securities as collateral with SIX Swiss Exchange. The market risks associated with a structured products are not affected by this collateral, and remain in full with the investor.

The collateral-secured option will be offered exclusively for structured products that are listed on SIX Swiss Exchange and traded via Scoach. Collateral will be calculated according to the nature of the structured product in question. It will be determined individually for each product and will remain unchanged for its entire term. Depending on price performance, the issuer may be required to supply a corresponding amount of additional collateral. If an issuer is no longer able to provide sufficient collateral for its structured product at the current market value, the securities that have been deposited previously serve as realisable surety in favour of the investors. "With this innovative system of collateral security, we are joining forces with Scoach Switzerland and the SSPA to make a major contribution to strengthening the structured products market in Switzerland", says Christoph Bigger, CEO of SIX Swiss Exchange.

Greater transparency thanks to risk classification

The SSPA will introduce a comprehensive and yet easily applicable risk classification system in the first half of this year. It is intended that, in the future, these new classifications will be listed on custody

account statements and also be incorporated in investment advisory services. "Risk classifications for structured products will mean that the SSPA can achieve one of its key objectives. They will enable investors to benefit to an even greater degree from the advantages offered by structured products", says Roger Studer, President of the SSPA.

European categorisation model

The European industry association – now operating under the name of EUSIPA (European Structured Investment Products Association) – has decided to adopt large parts of the SSPA classification model. Eric Wasescha, Executive Director of the SSPA, is delighted: "this is a huge success for us, as it means that a common classification system can establish itself as the standard throughout Europe". The model takes into account the most important requirements of all EUSIPA members by introducing a general distinction between investment products and leverage products for the first time. It also allocates products to subcategories in accordance with how they pay out to the investor.

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Scoach Switzerland Ltd.

Scoach unites the largest and the oldest markets for structured products in Europe. Parent companies SIX Group Ltd and Deutsche Börse AG are beacons of technological, functional and regulatory expertise. They represent innovative drive, flexibility, high quality and solidity. Operating across national borders, Scoach offers investors throughout Europe access to structured products at fair prices. Top execution speeds, fair trading, transparency and security are the criteria by which we measure our success. For more information, please visit www.scoach.ch.

About the Association

The Swiss Structured Products Association (SSPA) is the contact of choice for all questions about structured products. It represents the common interests of the 17 largest issuers of structured products, which together represent 95 percent of structured products market volume in Switzerland. The Association is based in Zurich. For more information, please visit www.svsp-verband.ch.