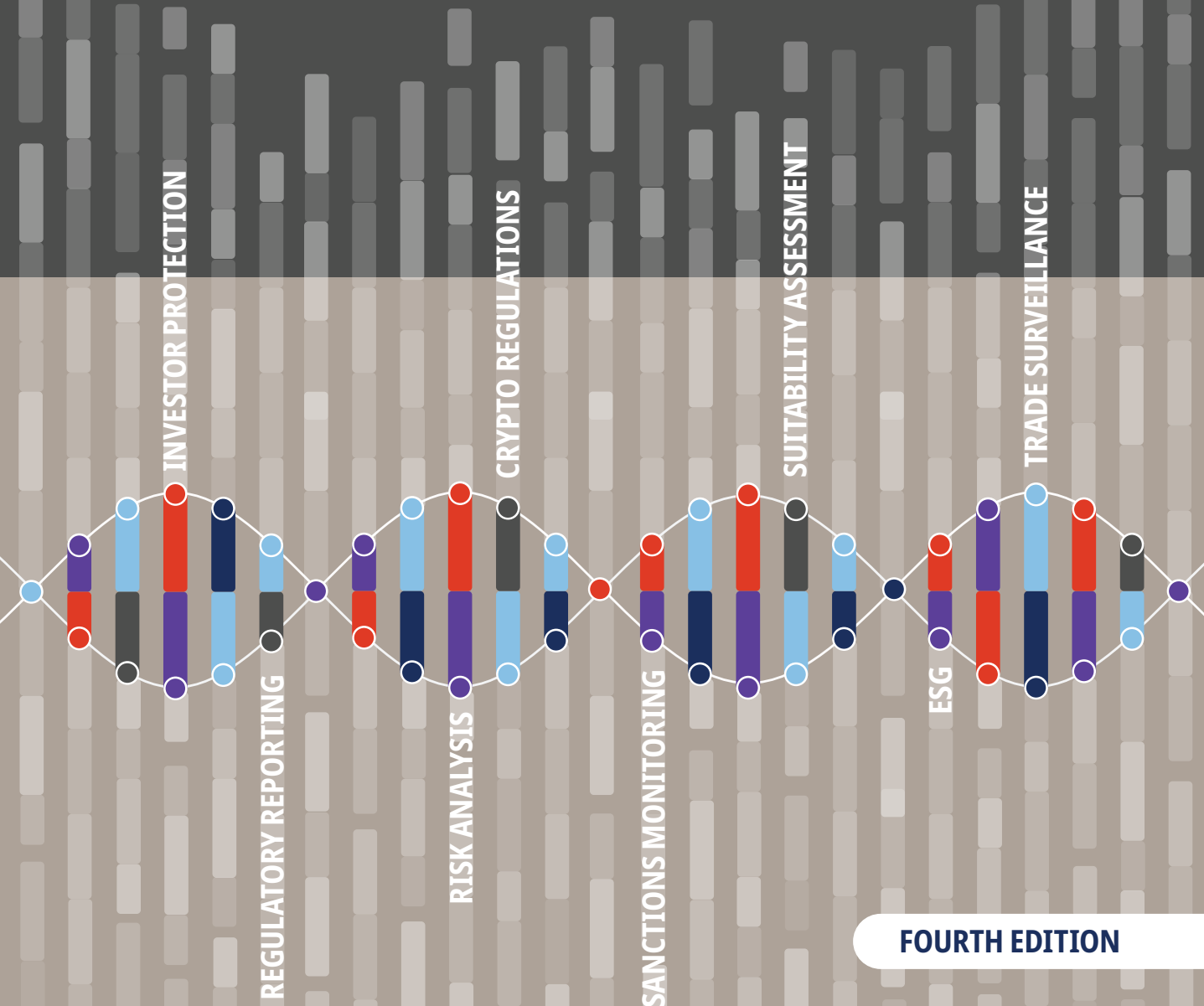




Regulatory Navigator

Know Your Instrument to Keep Your Compliance

Investigate the DNA of financial assets to meet regulatory requirements and make a difference for your business



FOURTH EDITION

Contents

WELCOME TO SIX	3
OUR REGULATORY MAP	4
SUITABILITY ASSESSMENT	6
INVESTOR PROTECTION	8
ESG	10
CRYPTO REGULATIONS & SANCTIONS MONITORING	12
RISK ANALYSIS, REPORTING, & TRADE SURVEILLANCE	14

OUR RECENT AWARDS



**FTF INNOVATION
AWARDS: BEST DATA
PROVIDER 2X IN A ROW**



**5 ESG AWARDS
SINCE 2021**



**10 AWARDS
FOR SSMS OVER
THE LAST 5 YEARS**

Welcome to SIX

The financial industry saw dramatic changes recently: regulators worldwide had to work to keep pace with new asset classes, investment trends, and market standards to guarantee the stability, transparency, and resilience of the whole ecosystem. The resultant regulations and upgrades to existing regulations and new process requirements means much more data to inform, calculate, analyze, and report.

Investor protection, risk analysis, and regulatory reporting have always been at the core of the regulatory arsenal. As asset classes have evolved, however, investment concerns have shifted and new requirements have emerged that pose significant challenges to financial professionals.

The complexity is compounded by the overlapping nature of topics and data: ESG is now in most investor protection data sets and are required in various regulatory frameworks, creating another dimension of existing data management processes.

Financial institutions have therefore sought out business partners that can provide efficient management services, consistent data regardless of its nature, and evolutive compliance solutions.

At SIX, we work to make a difference with data and the regulatory sphere is one of the key areas where there is space for optimization. With data, we support compliance, help our customers gain business advantage, and build a sound future for the industry.

With this brochure, we seek to bring you insight about our approach to regulations and invite you to get in touch to learn more about our data and services.



Natasa Gligoric
Head Tax, Regulation & Funds

SIX IN BRIEF



GLOBAL

Worldwide presence
in over 20 countries



TRUST

In the business
of financial information
for more than 9 decades



COMPLETE SERVICE

Front-to-Back Global
Multi-Assets, Data & Analytics,
Regulatory & ESG Services



SUSTAINABILITY

SIX fosters the
transformation to
sustainable finance

Regulatory Map

Over 80 Regulations Monitored
to Support Compliance Globally

Global

-  AML/KYC (e.g. PEP-Check)
-  BCBS 239
-  Sanctions monitoring (SSMS)
-  Basel III/IV

Canada

-  RRSP
-  TFSA

US

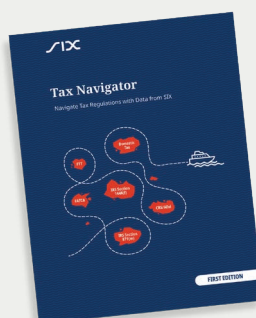
-  FATCA
-  QI
-  Dodd-Frank
-  SEC-Rule 13f
-  Municipal Bonds Taxation
-  SEC Rule 22c-2
-  TEFRA C/D
-  Reg S
-  144 A
-  871(m)
-  1446(f)

UK

-  Authorized / Reporting Funds
-  CGT
-  Tax Credit
-  Stamp Duty
-  PTM Levy
-  Bond Funds
-  DDS
-  Qualifying Corporate Bond
-  Venture Capital Trust
-  Building Society Shares
-  Consumer Duty
-  UK Situs
-  TCFD Framework

-  Investor Protection
-  Sanctions / AML, KYC
-  Tax
-  Risk / Reporting
-  Crypto Reg
-  ESG

Reference Our Tax Navigator



To understand specific challenges related to tax and the solutions we propose to the market, download our Tax Navigator brochure:
<https://six.swiss/426tgK0>



EU

-  MiFID Investor Protection
-  EUSD
-  MiFID Transparency & Transaction Reporting
-  AIFMD
-  PIB, PRIIPs
-  Solvency II
-  UCITS
-  EU FTT
-  SFTR
-  CSDR
-  CRR (Capital Requirement Regulation)
-  MICAR
-  EU Taxonomy
-  SFDR
-  CSRD
-  EU Interest Income
-  EU Securitization
-  Green Bonds
-  Market Abuse Regulation (MAR)
-  EU BTAR
-  EU GAR

Austria

-  Final Withholding Tax AT/LI
-  Capital Gain Tax
-  Investment Fund Qualification

Belgium

-  Belgian Savings Tax
-  TOB
-  Wealth TaxF

Finland

-  FTT

France

-  FTT
-  CGT
-  PEA, PEA-SME, PERI
-  Redemption Premium Tax Exemption

Italy

-  FTT
-  Withholding Tax

Germany

-  Transparent Funds

Lichtenstein

-  Taxable Security
-  Final Withholding Tax AT/LI

Spain

-  Nationality Declaration
-  Withholding Tax
-  FTT
-  Traspaso Funds

Switzerland

-  IUP Bonds / Structured Products
-  Taxable Security
-  SNB Reporting
-  UK Stamp Duty SIS
-  BVV2
-  FinSA (FIDLEG)
-  FMIA (FinfraG)

South Africa

-  Securities Transfer Tax

China

-  Stamp Duty

Hong Kong

-  Stamp Duty
-  SFC
-  Complex / Non-Complex Instruments
-  Crypto HK

Malaysia

-  FTT

Singapore

-  Stamp Duty

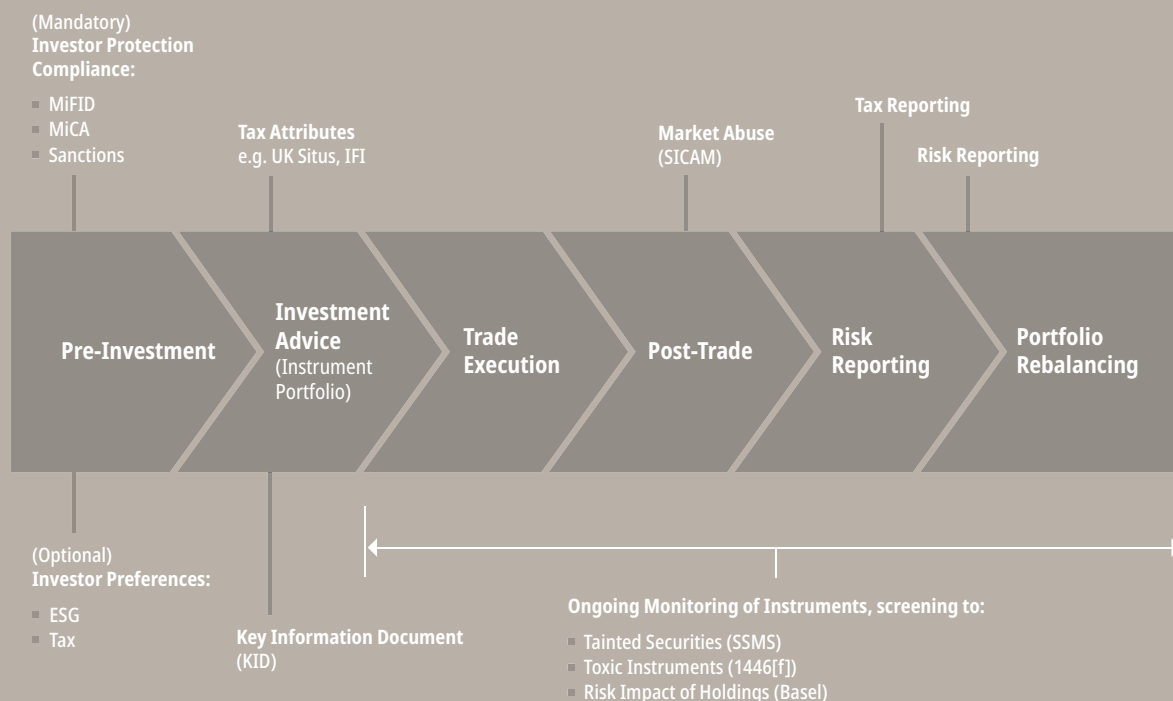
Suitability Assessment, Matching Investment & Reporting Needs

Over the past decade, regulators have focused on safeguarding the interests of investors and therefore have promoted transparency, fairness, and accountability in financial markets. Compliance with a regulatory framework that fosters investor confidence and reduces market abuse by ensuring that investors receive adequate information to make informed investment decisions has become mandatory for all market participants.

Financial institutions recently started differentiating themselves by providing additional insights on a wide range of topics, with the aim of helping each investor identify instruments they themselves deem suitable, be it from an ethical, tax, risk exposure, or ESG perspective.

The need for robust and high-quality data remains the same despite differences in approach. Furthermore, financial institutions have experienced, that implementing this data into their clients' investment process, has implications across several departments and workflows. It is here that all of SIX regulatory propositions come together, as each provides additional insights.

Suitability Throughout the Investment Workflow



→ Product Suitability

Suitability is a regulatory matter, requiring financial professionals dealing with investors to ensure they offer the most suitable product for an investor's profile, including investment goals, needs, and risk tolerance regarding ESG, crypto, costs, and other criteria. It is firmly rooted in mandatory investor protection regulation and seeks to ensure the product is suitable according to an investor's profile (the so-called Target Market criteria, e.g., client objectives, knowledge/experience, loss bearing capability). The assessment of suitability is one of the most essential elements for investment protection in the MiFID II framework. Yet other considerations, relating more to the personal preferences of the investor (who want to focus on or exclude investments) tend to be very individual and optional in nature. In addition SIX offers its own data sets and works with partners to address the challenges presented by product suitability.

→ Tax Suitability

Tax suitability is about the identification of potentially tax-harmful products which is an obligation for financial advisors that needs to be considered in investment advisory. To do so, one usually compares equivalent investment products (e.g., shares of Italian car makers vs. a European Car Manufacturer ETF) to find out, which product has lower tax implications and therefore would be better suited for investment. SIX works with partners to develop new services that provide investment product suitability insights from a taxation perspective. SIX uses taxation data to help identify potentially harmful products. Past taxation of investment product income can also be used to project future net of tax investment product income.

→ Sanctions

These are measures issued by governments to protect their economic interests and/or values. Often, sanctions need to be implemented very shortly after they have been announced. Given an uncertain geopolitical environment, an active scan of holdings to identify possible "toxic" instruments. SIX see an increased interest in understanding indirect exposure to sanctioned securities.

Suitability unites insights
from



different
perspectives



"The regulatory classifications provided by SIX Financial Information allow customers to select cross-domain suitability criteria that can be used in pre-investment advisory processes to select individual products or portfolios of instruments that best match the investment preferences of individual investors."

Jürg Stalder
Head of Regulatory Propositions

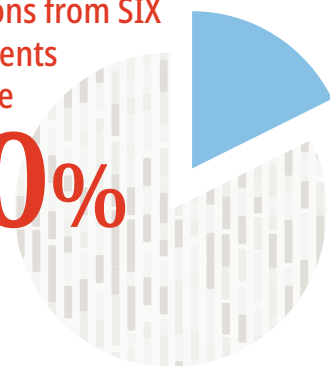
Investor Protection - An Ongoing Challenge

Investor protection plays a crucial role in ensuring that financial products are suitable for investors. It involves regulations and measures designed to safeguard investors from inappropriate or unsuitable investment recommendations. Increased demand from clients to better understand the impact of their investments means financial institutions must shift to a “Know your Instrument” approach while adhering to the regulatory framework.

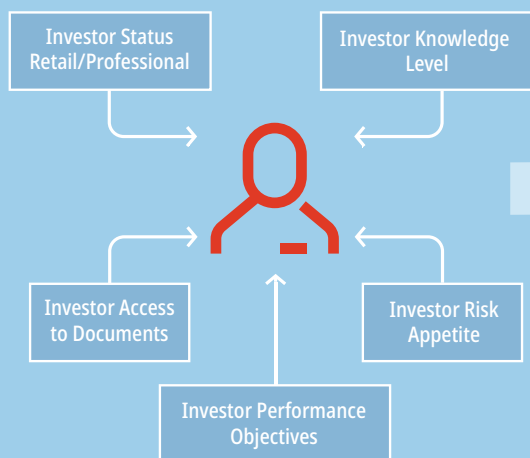
Investor protection and the regulatory frameworks also have to adapt to the changing market circumstances: The financial industry continually introduces new and complex products, new asset classes like crypto assets are increasingly gaining the attraction of (retail) investors, and the globalization of investments is touching different jurisdictions with deviating treatment of investor protection.

Addressing these challenges requires ongoing efforts not only by regulators and policy makers in the different countries, but by each financial institution which needs to eventually support its clients in making informed investment decisions to fulfill their financial and non-financial objectives, by offering suitable products.

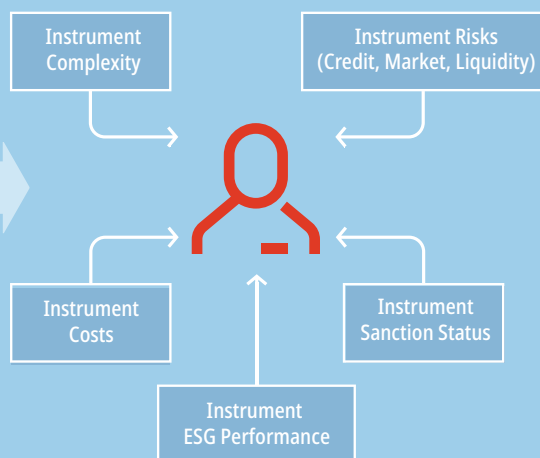
MiFID II solutions from SIX
have helped clients
save an average
of **20%**
on the costs
of compliance



From KYC (Know Your Customer)



To KYI (Know Your Instrument)



→ Markets in Financial Instruments Directive II

MiFID II aims to regulate financial markets and enhance investor protection through detailed pre-trade disclosure to investors. It establishes rules for investment firms and trading venues, promotes transparency, and ensures fair competition in the provision of financial services across Union. Our MiFID Investor Protection data set has become a flagship solution to propose all the relevant information to the investors of financial institutions worldwide when they have business with EU clients.

→ UK Consumer Duty

The Financial Conduct Authority (FCA) has put in place complete guidance to enhance investor protection in the United Kingdom: the 'Consumer Duty'. Firms need to assess and disclose the extent to which and how they are acting to deliver good outcomes and address any issues related to each case of advisory not running smoothly. To support the UK market and its participants in fulfilling their regulatory requirements, SIX has defined and crafted a complete data set providing all the information needed for the suitability assessment and best execution reporting under the Consumer Duty and related legislations.

→ Packaged Retail and Insurance-based Investment Products

PRIIPs regulation focuses on improving transparency and providing investors with key information when investing in packaged retail and insurance-based investment products. It requires manufacturers of these products to provide a Key Information Document (KID) to consumers, containing clear and understandable information about the product's risks, costs, and potential returns. SIX offers both, KIDs and related EPT data.

→ Regulatory Standards

The industry pushes for standardized templates that can be easily understood and integrated. Most regulations in the EU are covered by their own template that are cornerstones for any implementations within financial infrastructures: EMT (European MiFID Template), EPT (European PRIIPs Template) and EET (European ESG Template). These templates are fully integrated within the deciphering and integration processes of SIX to deliver the required fields through the channels of our clients' choice.

SIX provides access to

 x 42m⁺

from 1,000+ manufacturers



"Besides knowing the client, Investor Protection requires a deep knowledge of each financial instrument. To stay compliant in this increasingly complex environment and – even more important – to strengthen client-focused activities, investing into the automation of regulatory workflows is key to drive profitability. Both data and documents need to fulfill the highest quality standards and need to be sourced consistently across various sources to uncover even hidden regulatory requirements across various regulations and jurisdictions."

Ralf Rühling
Head Investor Protection Products

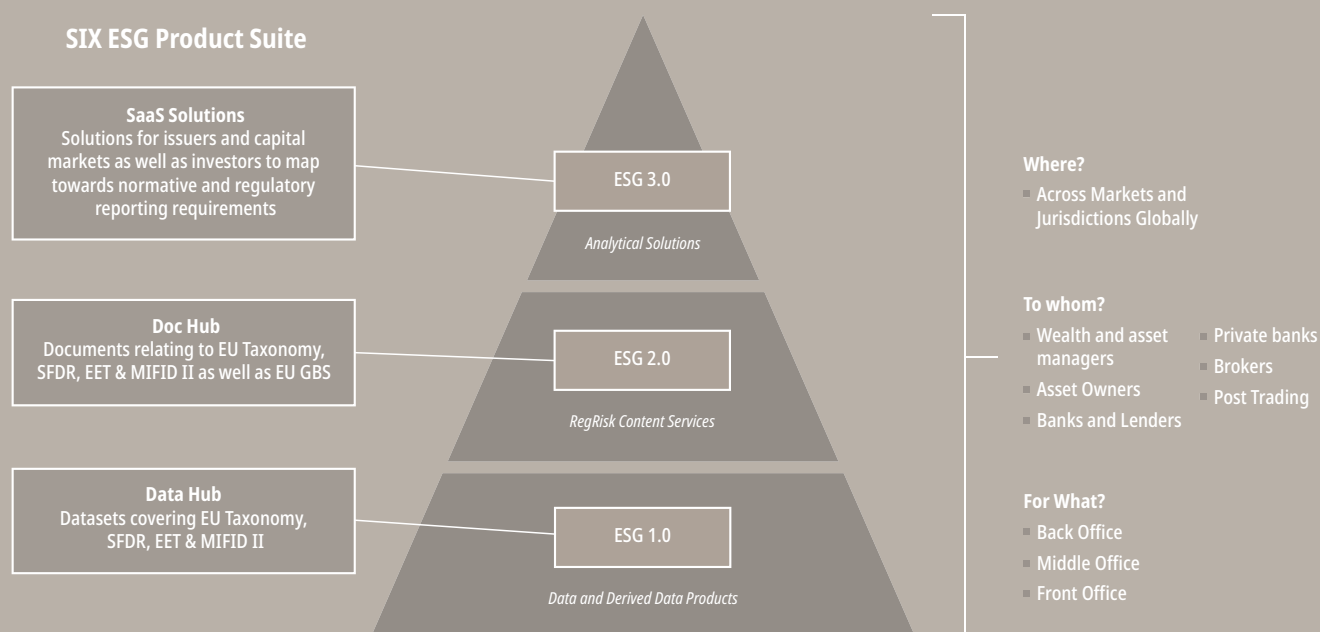
ESG, the New Driver of Regulatory Compliance and Investment Decisions

ESG is a key driver for regulatory compliance and investment decision-making. Investors, banks, and issuers are mandated to provide more transparency related to their financial decisions, management, and reporting in the context of ESG, and need to address greenwashing concerns in line with EU and other regulatory requirements.

Green labels are under scrutiny and financial decision makers in turn demand more granularity from ESG data, metrics, and scores to assess the full picture of their sustainable investment and finance instruments.

SIX is a “multi-vendor, single access point” for clients’ ESG and regulatory data, content services, and analytical solutions needs. We source, normalise, map and aggregate this data and content from third party providers and source directly from product manufacturers – to develop derived data products and analytical solutions for primary and secondary markets and serve our varying client needs for ESG and regulatory raw data, ratings, and scores.

The Evolution of ESG RegRisk Products



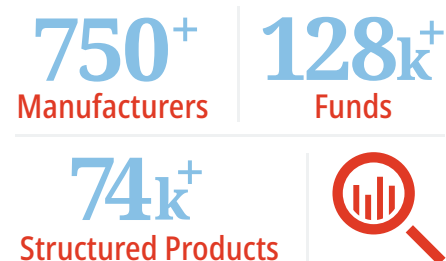
→ EU Taxonomy Regulation

The EU Taxonomy Regulation (EU TR) mandates financial and non-financial companies to share a common definition of economic activities that can be considered environmentally sustainable. SIX provides a range of investee company data sets covering EU Taxonomy alignment related to “Turnover”, “CapEx” and “OpEx”, “DNSH” and “Minimum Safeguards” requirements.

→ EU SFDR

EU’s Sustainable Finance Disclosure Regulation (SFDR) introduces a set of mandatory requirements for investors’ disclosure of sustainability metrics and assessments of Principal Adverse Impacts (PAIs), at entity, and product level. SIX sources the required data, which covers 64 PAI attributes, in accordance with the regulatory framework and maps it to the respective companies as well as to the underlying ISINs.

SIX sourcing for EETs:



Greenwashing attempts in focus:



→ EU CSRD

The new EU Corporate Sustainability Reporting Directive (CSRD) modernizes and strengthens the rules concerning the social and environmental information that companies have to report. A broader set of large companies, as well as listed SMEs, will now be required to report on sustainability. SIX works with content partners to collect, normalize, and redistribute corporate sustainability information. SIX also supports and facilitates the corporate sustainability reporting workflow in line with regulatory and normative reporting frameworks through SIX Sustainability Assessment Solution powered by Greenomy.



“The adoption of ESG strategies by investors, banks, and companies globally has risen sharply in recent years, resulting in a need for comprehensive ESG data sets from high-quality, regulatory-focused sources. Meanwhile, data needs are already well diversified and range from raw data points to scores, from fundamental ratings to specialist data sets. SIX is a multi-vendor single access point for data, services, and solutions that cater to these needs, in line with regulatory requirements.”

Martina McPherson
Head ESG Strategy Products

Crypto Regulations, Sanctions Monitoring, New Assets & Investment Approaches

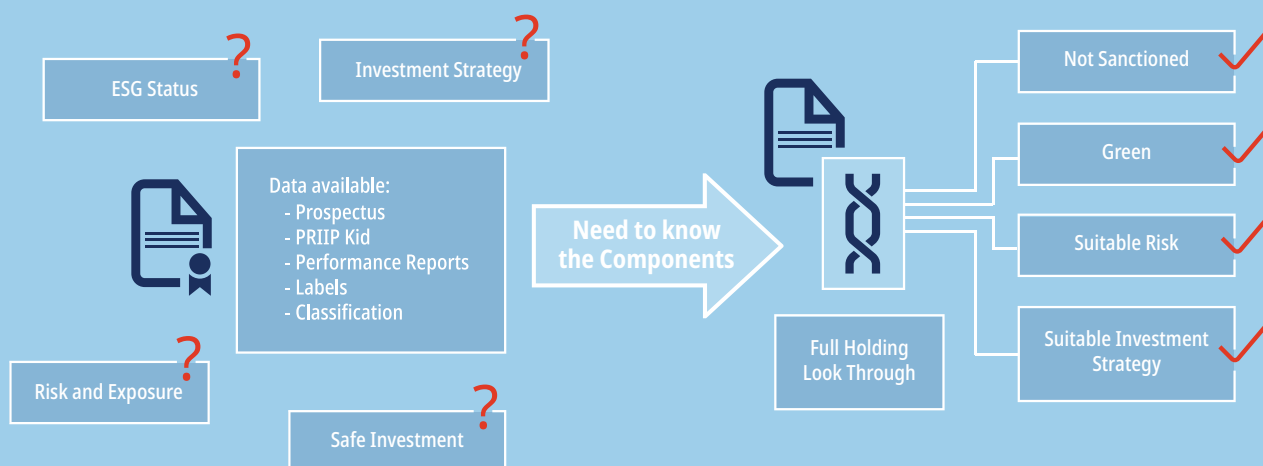
If ESG has become a central topic in the financial industry and the investment ecosystem. Other trends are also arising alongside ESG. Passive investment is growing: funds (benchmark-driven funds in particular) and ETFs are becoming more and more popular amongst retail investors, but also among institutional investors like investment banks, insurers, pension fund.

The rising popularity of passive investment vehicles did not escape the attention of the regulator. OFAC decided to include passive investment vehicles in the list of instruments that should be monitored from an AML perspective and potentially sanctioned when the sanction test comes up positive.

Cryptos and digital assets in general have been the most disruptive instruments on the market since the “millennium derivatives” like turbo-warrants or ABS-MBS. The idea behind these is to set investors free from the regulated boundaries by leveraging the new blockchain technology (Distributed Layer Technology). As this crypto-market has already shown some signs of “rogueness”, the regulators have decided to set up some framework to make it more secure for investors and impose similar requirements to those imposed to regulated markets.

SIX supports the market in keeping up with new trends and always investigates beyond compliance to find new business opportunities for its clients.

ETF & Funds Business Case

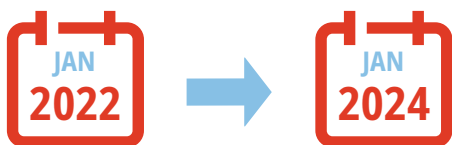


→ MiCAR and Beyond

After the Asian frameworks, MiCAR represents the first, but probably not the last, regulation to be defined and implemented in the EU. MiCAR aims at bringing the new crypto asset markets in line with the regulations of established markets, and similarly, prevent market abuse. It seeks to protect consumers' digital portfolios and standardize those markets. To support our clients, SIX provides all the data points necessary to clearly identify the nature of digital assets, their risks and their value.

→ SSMS Funds

Financial Institutions allowing investments into UCITS Funds and Exchange Traded Funds often have poor transparency into the components and individual weightings within the ETF. KYC processes might have shown that the ETF issuer is approved, however, this does not guarantee that the ETF itself is not heavily invested in sanctioned securities. SIX SSMS Funds scan all components of an ETF for tainted instruments and outputs the affected ETF plus the weight of each sanctioned component in a simple, humanly readable, flat file.



Total number of sanctioned securities increased by

314%



"Recent geopolitical events have led to the imposition of a series of sanctions, subsequently forcing beneficial owners to conceal themselves over the entities they own and avoid the reach of law enforcement. In order for compliance teams to keep up with the evolving challenges, there must be evidence of diligent transaction monitoring to combat the changes in beneficial ownership, and committed investment in the data and tools required for them to do so."

Oliver Bodmer
Senior Product Manager

Risk Analysis, Reporting & Trade Surveillance - From Burden to Business Growth

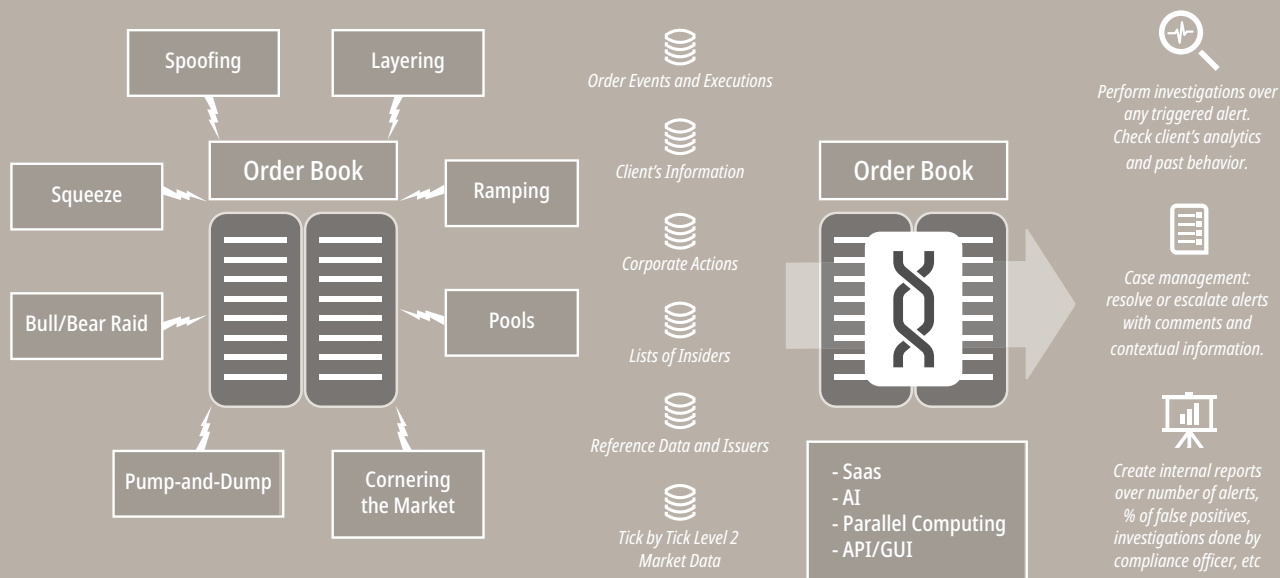
Beside protecting investment and ensuring the suitability of financial products, a key aspect of most regulations has been to enforce transparency in order to mitigate risks ; risks for the investor, risks for the financial institution but also risks for the whole market and its systemic pillars.

The nature of these risks is also quite versatile: market risk, credit risk, liquidity risk, market abuse and has pushed the regulators to be quite demanding.

Financial institutions themselves have embraced this virtuous quest for transparency but they are challenged by a very complex environment that requires a huge volume of high-quality, consistent and granular data. On top of this, regulations requirements often overlap in terms of data points which could, in case of weak data management, lead to inconsistency and higher costs.

With its expertise, SIX offers this tremendous support in data management to access the right data with the required precision and the “pay the data only once” concept to mitigate costs. Our goal is to help our clients see their potential of growth beyond the burden or regulatory requirements.

The Market Abuse Challenge



So many manipulation possibilities ...

... need a complete regtech tool to tackle the challenge

→ Basel III/IV

The Basel framework sets the standards for international banks the calculation of risks & determining minimum capital requirements, making them more consistent and comparable between banks globally. The framework is subsequently transposed into law in individual jurisdictions i.e. in the EU, Basel is adopted as Capital Requirements Regulation (CRR). To support it, the Basel Data Service from SIX focuses on four areas of risk assessment.

HQLA: Identifies eligible instruments to apply applicable levels, required for calculating Liquid Capital Ratio (LCR).

Credit Risk Standardised Approach: Application of credit risk weighted assets according to exposure class and credit quality for accurate calculation of Capital requirements.

Credit Risk Mitigation: Assess exposures as eligibility as collateral under simple approach and comprehensive approaches and associated haircuts.

Market Risk Standardised Approach: determine specific and general risk weights for own funds, to mitigate market risk of trading book assets.

Regulatory Capital (BRRD): Classify debt instruments eligible to absorb losses with respect to banks' regulatory capital requirements e.g. Additional Tier 1, Tier 2, senior unsecured debt (as per MREL/TLAC requirements).

→ MAR

The Market Abuse Regulation (MAR) regularly upgrades its compliance criteria and has recently reinforced its Suspicion Transaction Reporting (STR) obligation. It is important for financial institutions to monitor and ideally prevent abuses and manipulation attempts but it is equally important to report them and disclose the processes put in place to do so. SICAM 2.0 is the tool that enables the compliance with regulatory requirements related to the fulfilment of the STR obligation according to the MAR. Additionally, it provides a function supporting the Internal Code of Conduct management.

Under the Basel Framework,
banks are required
to hold **1250%**
of collateral for risky assets



"The aim of regulations around transparency and risk assessment is to ensure the stability of the market, the security of its stakeholders. Yet, due to the volume and complexity of data that is required, financial institutions often perceive it as a burden and an expensive obligation. But with the right tools and data management, compliance can just become a competitive advantage."

Darren Marsh
Senior Product Manager



Fund Full Holdings & Look-Through



Know Your Instrument to Assess
Your Real Exposure

A full service to support your
regulatory use cases. Learn more:

