

SIX Swiss Exchange message no. 17/2013

Subject	New bilateral trading platform for securitized OTC derivatives (SMR3.1)
Category	Trading and Products
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Information 

Scoach Switzerland Ltd. is introducing a new platform for structured OTC-traded (i.e., off-exchange) products. The new, unregulated bilateral trading platform is a response to the numerous market inquiries requesting functional support in off-exchange OTC trading with structured products.

The new bilateral trading platform is based on the existing infrastructure, but it is completely separate from on-order-book derivatives trading from both a functional and regulatory perspective.

This notification provides you the first overview of the new, off-exchange bilateral trading platform. Starting in the summer of 2013, participants will have access to the bilateral trading platform for trading structured OTC products using the optional SWXess Maintenance Release 3.1. (SMR3.1). Technical information about the new OTC trading platform has been distributed via MSC message no. 12/2013.

Overview of the Bilateral Trading Platform

The bilateral trading platform enables participants of SIX Swiss Exchange to trade and settle OTC products on a central platform with a uniform architecture based on existing interfaces. The OTC platform is clearly distinct from today's on-order-book of Scoach Switzerland Ltd., and has the following features:

- Bilateral OTC trading
- Unregulated trading, therefore no market surveillance
- Longer trading hours
- Instant trading availability – now products can be traded even before the reference data of the instruments are available
- No formal admission process, only technical activation

OTC products that are traded on the bilateral trading platform must be registered via CONNEXOR®.

Bilateral trading takes place over a "request-for-quote" (RfQ) based trading system. In this type of trading, an interested party (the inquirer) sends an RfQ to the issuer (the recipient) of the respective OTC product. The issuer can then respond to the inquiry with a quote. If inquirer and recipient reach an agreement, a transaction is concluded, which is then automatically forwarded to SIX Securities Services for settlement. The transaction is not published.

In addition, the bilateral trading platform supports the settlement of securitized OTC products that have already been concluded over the telephone. The transaction can be recorded via the OTC platform in order to be settled according to the existing settlement instructions.

Participants can record valuation prices for their OTC products during the day. After the close of trading, these prices are then available for download on a daily basis in the member section of SIX Swiss Exchange.

The bilateral trading platform can be accessed directly over the FIX interface (refer to "Standard Trading Interface (STI) Specification - Bilateral Trading" / MSC message no. 12/2013) or via a web-based GUI.

The bilateral trading platform now also enables the trading of securitized OTC products without having to enter the instrument's reference data ahead of time. However, this data must be entered promptly after the actual transaction to ensure that the transaction can be forwarded for settlement.

Listed below you will find further information about the bilateral trading platform:

- Trading over the bilateral trading platform is not regulated, i.e., there is no market surveillance and no formal admission process for the instruments. If mistrades occur, the trading parties must reach agreement directly among themselves. Mistrades can be resolved by entering an offsetting transaction.
- It is possible to enter orders with a period of validity that extends beyond the close of trading. The limit for these orders can be disclosed or remain unnamed. This order type makes sense for instruments connected to an exchange in a different time zone. Unexecuted orders are automatically deleted once their period of validity expires, and the party who entered the order is notified accordingly.
- Transactions can only be forwarded for settlement if the reference data of the instruments are available. Transactions without master data will be retained for a maximum of two days, and they will be examined on a daily basis to determine if the reference data is available. If the reference data is not provided or if it arrives too late, the transactions will be deleted and the involved trading parties will be informed. The settlement date (T+3) will be determined from the date when the transaction is concluded.
- A one-time switch of a product from the OTC platform to the on-order-book at Scoach Switzerland Ltd. is possible taking into account the admission requirements. It is not possible to switch from the on-order-book to the OTC platform.
- The OTC platform is available from 8:00 a.m. until 6:00 p.m.

Costs

Activation of structured products on the bilateral trading platform is free of charge until 31 December 2013; trading will likewise be offered until the end of the year at an introductory price.

Terms and Conditions

Trading on the bilateral trading platform is subject to separate Rules Governing Use of the Bilateral Trading Platform, which are attached to this notification as an appendix.

The utilization of the bilateral trading platform requires written consent to the Rules Governing Use of the Bilateral Trading Platform.

The Rules Governing Use of the Bilateral Trading Platform can be requested from the platform operator free of charge. Any updates to the regulations will be automatically sent to the users of the bilateral trading platform.

Technical Changes

The use of the bilateral trading platform is optional. Systems and interfaces of participants who do not intend to use this new service do not require any adjustment.

Participants who seek further technical information can find it in MSC message no. 12/2013. Corresponding specifications are published in the [Member Section](#) of SIX Swiss Exchange.

Document	Link
MSC messages	https://www.six-swiss-exchange.com/member_section/it/messages.html
Specifications and handbooks	https://www.six-swiss-exchange.com/member_section/it/manuals.html

Deployment

The deployment of the bilateral trading platform takes place with SWXess Maintenance Release 3.1 (SMR3.1) in accordance with the following dates:

Date	Environment
10 June 2013	First trading day on the bilateral trading platform in membertest
22 July 2013	First trading day on the bilateral trading platform in production

Prior to the deployment of the bilateral trading platform in the production environment, participants can test their applications and processes in a member test environment for about four weeks.

The platform operator would be happy to provide further information to any participants who are interested in using the bilateral trading platform. The following contact partners will be pleased to assist you:

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