SIX Indices

Structured Products Strategy

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1 Index Construction

1.1 Introduction

This concept describes the rule-based SIX Structured Products Strategy Indices.

Structured products in the "Participation", "Yield Enhancement" and "Capital Protection" categories according to the Structured Product Association's (SSPA) Swiss Derivative Map are replicated by a total of three indices.

The indices are designed to provide investors with a representative benchmark. A further objective, in cooperation with issuers, is to offer indirect investments in the index.

1.2 Base Universe

The base universe comprises all structured products traded on SIX Swiss Exchange that belong to the SSPA "Participation", "Yield Enhancement" and "Capital Protection" categories.

1.3 Number of Securities

The indices are essentially composed of a maximum of 10 and a minimum of 5 products, all of which are given equal weighting. No product may be a component of more than one index at a time.

1.4 Adjustments to Index Basket Composition

With the exception of the Participation Index, which will be adjusted monthly, changes to the SIX Structured Products Strategy Indices will be made every two months as of the first trading day of the new month.

In urgent cases, structured products may also be reclassified, included for the first time or excluded from SIX Structured Products Strategy Indices outside the set adjustment dates.

2 Index Calculation

2.1 Calculation Formula

$$I_t = I_{t-1} + I_{t-1} \cdot \sum_{i=1}^{M} \left[\left(\frac{P_{i,s} + \alpha_{i,t} \cdot C_i}{P_{i,t-1} + \alpha_{i,t-1} \cdot C_i} - 1 \right) / M \right]$$

Legend:

I_t:	Current index level
I_{t-1}:	Closing value of index on previous day
$P_{i,s}$:	Last mid price of security i at time s
$P_{i,t-1}$:	Last mid price of security i on previous day
$\alpha_{i,t}$:	Current fraction of an interest period since the last coupon for security i fell due prior to inclusion in the index (calculated on the basis of 30/360) *
$\alpha_{i,t-1}$:	Current fraction of an interest period on the previous day since the last coupon for security i fell due prior to inclusion in the index (calculated on the basis of 30/360 days) *
C_i:	Coupon of security i per annum in % *
s:	Current time on day t
M:	Number of securities in the index

* This attribute is used to calculate the SIX Structured Products Yield Enhancement Index (SSPY) only. It has the value 0 for the other indices.

2.2 Type of Price Used

Currently valid mid prices are used to calculate the index. The mid price is the arithmetic mean of the best bid and ask prices. If no current mid price is available at the time of calculation, the last available mid price is used.

- A valid mid price satisfies the following conditions:
- bid/ask spread is no more than 1000 basis points (relative spread, formula: (bid/ask) - 1)).

The bid/ask volumes on which their respective prices are based are at least CHF 40,000 each.

Securities are included in the index initially at their mid price.

2.3 Base

The base of the SIX Structured Products Strategy Indices was set at 1000 points after the close of trading on February 27, 2009.

2.4 Calculation Intervals and Publication

All SIX Structured Products Strategy Indices are calculated every 3 minutes from 09.45 to 16.45 on SIX Swiss Exchange trading days. The indices are published as total return indices to two decimal places. The internal calculation is based on seven decimal places. All index data is distributed by SIX Exfeed, a subsidiary of SIX Group.

2.5 Unavailability of Price Data

If prices for a given product cease to be available for any reason, the product will remain in the index at its last valid mid price.

3 New Inclusions

3.1 Typical and Optimum

In a first step, a selection is made of SIX Structured Products Exchange listed products that are **typical** of the

– Participation

– Yield Enhancement and

– Capital Protection

categories.

Typical is determined using the following criteria:

– Moneyness of the strike price (i.e. distance of current price to strike or issue price is $\leq$ 30% and $\geq$ -30%).

– Remaining term to maturity between 100-1001 days.

The criteria are set once only and reflect the core investment precept behind the product category. The criteria are determined on the basis of an analysis of expert opinions, an empirical analysis of new issues (which tend to be representative of **typical** products) and an analysis of trading volumes.
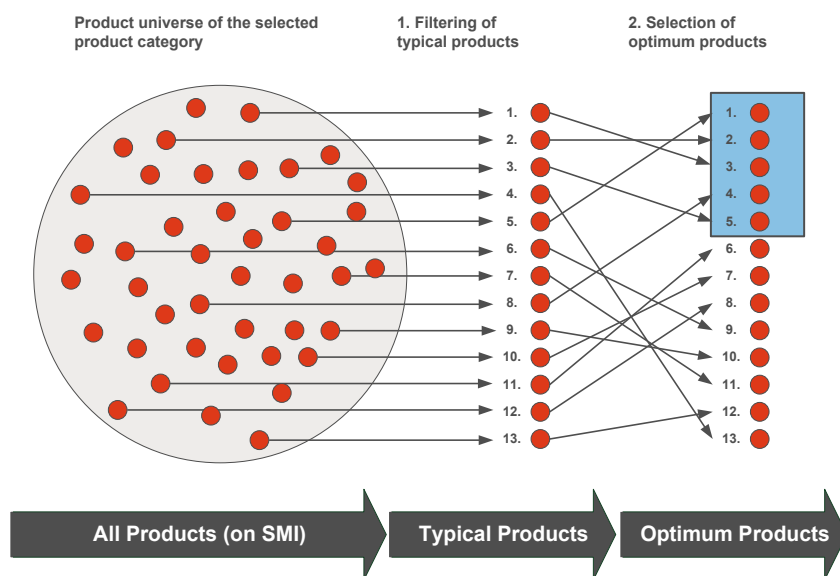

Figure 1 Selection process for index components

The second step is then to select the products that are **optimum** to the composition of the index.

In the shortlist of **typical** products, a **product** is optimum if:

– it has a liquidity figure, i.e. "quote availability ratio", of at least 99%.

– it has both a QQM[1] bid and ask value of at least an equivalent of CHF 40,000.

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[1] The Quote Quality Metrics (QQM), include liquidity indicators for the respective product and are calculated daily by SIX Swiss Exchange and published on six-structured-products.com.

3.2   Underlying

The SMI is defined as the underlying. The basic rules set out the procedure to be followed should there be too few SMI-based products.

3.3   Basic Rules

The selection of typical and then optimum products follows a set of basic rules that are adjusted for the various categories of structured product.

The following basic rules apply to the production of the Strategy Index:

–   Optimal products are sorted first in descending order according to their quote availability ratio, and then in ascending order according to the moneyness.

–   The best-ranked optimal product of each eligible issuer is then selected. The following must be taking into account:

–   If the minimum number of 5 index components is not reached, a second round of selection is required, taking into account the next best ranked products of the eligible issuers.

–   If the maximum number of 10 index components is exceeded, the products will be excluded according to their ranking.

–   At least three different issuers must be represented in the Strategy Index.

–   If there are insufficient optimal products to achieve the minimum of 5 index components, the best-ranked non-optimal products may also be used.

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5 Contact

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6 Static Data

Name	Short Name	Symbol	ISIN	Initial Date	Initial Value
SIX Structured Products Participation Index	SSP Particip. Index	SSPP	CH0113557455	27.02.2009	1'000
SIX Structured Products Yield Enhancement Index	SSP Yield Enh. Index	SSPY	CH0113557489	27.02.2009	1'000
SIX Structured Products Capital Protection Index	SSP Protect. Index	SSPC	CH0113557521	27.02.2009	1'000

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