



# SIX Swiss Indices

IOSCO: Letter of Compliance

## Letter of Compliance with the IOSCO Principles for Financial Benchmarks\*

On 30 December 2014 SIX announced its compliance with the International Organisation of Securities Commission's (IOSCO) Principles for Financial Benchmarks for the SIX Swiss Indices.

The objective of the IOSCO Principles for Financial Benchmarks is to create an overarching regulatory framework for benchmarks used in global financial markets. The internationally valid guidelines focus on the methodology, transparency and overall quality of benchmarks, as well as the overall governance arrangements and accountability for index providers and other relevant bodies.

Having completed a thorough assessment and updated its work instructions and control framework, SIX ensures the administration of the indices is in compliance with the recommendations and in line with the principle of proportionality set forth in the IOSCO principles.

SIX has updated the letter of compliance as part of regular document maintenance activities. Below is the full list of the IOSCO principles and how SIX ensures its compliance with them.

IOSCO Principle	How SIX complies with the IOSCO Principle
<b>1. Overall responsibility of the administrator</b>	SIX assumes ultimate responsibility for all stages of benchmark administration for all indices, such as: <ul style="list-style-type: none"> <li>- Definition and maintenance of the index methodologies.</li> <li>- Compilation, publication and distribution of indices.</li> <li>- Ensuring appropriate transparency over significant decisions affecting the compilation of indices and related determination process.</li> <li>- Establishing appropriate governance, oversight and accountability procedures for the benchmark determination process.</li> </ul>
<b>2. Oversight over third parties</b>	<ul style="list-style-type: none"> <li>- For some indices, SIX has outsourced the calculation or determination of index components to specialized third-party financial service providers. A list of outsourcing partners and their roles may be obtained on request from <a href="mailto:indexsupport@six-group.com">indexsupport@six-group.com</a>.</li> <li>- SIX has service level agreements in place with its outsourcing partners.</li> <li>- SIX monitors the services provided by its outsourcing partners to ensure their compliance with the agreed service levels and standards.</li> <li>- Operational risks are mitigated by the SIX control framework and the fact that the outsourcing partners have a business continuity management (BCM) in place.</li> </ul>
<b>3. Conflicts of interest for administrators</b>	<ul style="list-style-type: none"> <li>- SIX is subject to the compliance directives of SIX, which address potential and actual conflicts of interest in general.</li> <li>- SIX has not identified any material conflicts of interest arising from its business relationships or ownership structure. SIX is committed to disclose such material conflicts of interests should they arise.</li> </ul>
<b>4. Control framework for administrators</b>	<ul style="list-style-type: none"> <li>- SIX has a formalized internal control framework which substantially covers the stages of the benchmark administration. This relates to the calculation and dissemination of the indices on SIX proprietary systems. A summary of the control framework may be obtained on request from <a href="mailto:indexsupport@six-group.com">indexsupport@six-group.com</a>.</li> </ul>
<b>5. Internal oversight</b>	<ul style="list-style-type: none"> <li>- The Swiss Index Committee of the Business Unit Financial Information oversees all stages of the benchmark administration process. All matters regarding the indices which require a decision, including outsourcing, are submitted to the Swiss Index Committee.</li> <li>- Information on the Swiss Index Committee can be obtained from the SIX website. Specific information on the competencies of the Swiss Index Committee regarding the indices can be obtained on request from <a href="mailto:indexsupport@six-group.com">indexsupport@six-group.com</a>.</li> </ul>
<b>6. Benchmark design</b>	<ul style="list-style-type: none"> <li>- SIX has dedicated work instructions and procedures that regulate the benchmark design process.</li> </ul>

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	<ul style="list-style-type: none"> <li>- Internal controls with respect to benchmark design are integrated into the SIX control framework.</li> </ul>
<b>7. Data sufficiency</b>	<ul style="list-style-type: none"> <li>- SIX has dedicated work instructions and procedures in place that ensure that the data quality for benchmark determination purposes is in compliance with IOSCO principles.</li> <li>- The respective data sufficiency provisions are reflected in the index rulebooks of the indices that are available on the <a href="#">SIX website</a>.</li> </ul>
<b>8. Hierarchy of data inputs</b>	<ul style="list-style-type: none"> <li>- SIX has dedicated work instructions and procedures in place to ensure that the data hierarchy used for benchmark determination purposes is in compliance with IOSCO principles.</li> <li>- The respective provisions regarding hierarchy of data inputs and exercise of expert judgement are reflected in the index rulebooks of the indices that are available on the <a href="#">SIX website</a>.</li> </ul>
<b>9. Transparency of benchmark determinations</b>	<ul style="list-style-type: none"> <li>- The indices are derived from data sourced from SIX' regulated market subject to mandatory post-trade transparency requirements. These indices typically do not involve significant expert judgement.</li> <li>- The relevant details on benchmark determination are described and disclosed in published rulebooks of the indices, which are available on the <a href="#">SIX website</a>.</li> </ul>
<b>10. Periodic review</b>	<ul style="list-style-type: none"> <li>- SIX has dedicated work instructions and procedures in place with respect to periodic review of index methodologies and parameters.</li> <li>- Internal controls with respect to the index methodology review are integrated into the SIX control framework.</li> <li>- Any methodology change to the indices requires the approval of the Swiss Index Committee.</li> <li>- Summaries of material revisions of indices as a result of such reviews are published under the <a href="#">announcement section</a> on the <a href="#">SIX website</a>.</li> </ul>
<b>11. Content of methodology</b>	<ul style="list-style-type: none"> <li>- The methodologies of the current indices are in line with the requirements of IOSCO.</li> <li>- The creation of new indices requires the approval of the Swiss Index Committee which is contingent on the fulfilment of the IOSCO requirements.</li> </ul>
<b>12. Changes to the methodology</b>	<ul style="list-style-type: none"> <li>- Methodology changes to the indices require the approval of the Swiss Index Committee which is contingent on the fulfilment of the IOSCO requirements.</li> <li>- Changes to the methodology of indices are disclosed through the <a href="#">SIX website</a>.</li> <li>- The internal controls framework of SIX ensures that changes to the index methodology follow the SIX work instructions and are subject to the appropriate oversight and stakeholder consultation.</li> </ul>
<b>13. Transition</b>	<ul style="list-style-type: none"> <li>- SIX has put a dedicated procedure in place that regulates transitions and cessations of its indices. This procedure can be obtained via <a href="mailto:indexsupport@six-group.com">indexsupport@six-group.com</a>.</li> </ul>
<b>14. Submitter code of conduct</b>	<ul style="list-style-type: none"> <li>- The indices are based on data sourced from SIX regulated markets with mandatory post-trade transparency requirements.</li> </ul>
<b>15. Internal controls over data collection</b>	<ul style="list-style-type: none"> <li>- The indices are based on pricing data sourced from SIX regulated markets.</li> <li>- Within its internal controls framework, SIX has implemented appropriate internal control procedures with respect to the collection and processing of the underlying index data.</li> </ul>
<b>16. Complaints procedure</b>	<ul style="list-style-type: none"> <li>- SIX has implemented a dedicated complaints procedure which allows stakeholders to lodge their complaints in a user-friendly manner via the <a href="#">SIX website</a> or via <a href="mailto:indexsupport@six-group.com">indexsupport@six-group.com</a>.</li> </ul>

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<b>17. Audits</b>	<ul style="list-style-type: none"> <li>- SIX is committed to appointing an independent external auditor to perform an audit of compliance of SIX with the IOSCO Principles. An independent audit will be conducted annually.</li> <li>- Given that indices are designed to be replicated by clients, SIX does not deem it necessary to undergo additional audits with respect to adherence to index methodologies.</li> </ul>
<b>18. Audit trail</b>	<ul style="list-style-type: none"> <li>- SIX is storing both, input data (prices) and output data (index values) on an end-of-day basis on its proprietary systems. Such data are stored for at least five years.</li> <li>- IOSCO Principles stipulate that the application of the principles should be proportional to the size and risks posed by each benchmark. SIX interprets the IOSCO principle of proportionality to mean that SIX is not obliged to archive the real-time or input data due to the following factors: <ul style="list-style-type: none"> <li>- Stakeholders can typically obtain real-time/intra-day data from the established information service providers;</li> <li>- The headline SMI® Indices are replicated and monitored by a large range of market participants, ensuring the correctness of the indices instantaneously;</li> <li>- Applicable law does not impose an obligation on SIX to archive real-time/intra-day data.</li> </ul> </li> </ul>
<b>19. Cooperation with regulatory authorities</b>	<p>Currently, SIX is not being supervised by any regulatory authority specifically with regards to the indices in Switzerland.</p> <p>Several indices are endorsed under the European Benchmark Regulation (BMR) via the company SIX Nordic AB in Sweden to make the indices available in the European Economic Area. The supervision under the BMR is conducted by "Finansinspektionen".</p>

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