



Triparty Collateral Management

Solution for Securing Structured Products

Enhance your structured products with the tailor-made issuer risk protection of SIX.

Structured products have been a key investment instrument in international financial markets. They can be tailored to an investor's specific market view and risk profile.

While market exposure is the essence of a structured product, investors also face the risk of issuer default. Our Triparty Collateral Management (TCM) offering ensures the collateral backing of a structured product's current value, allowing investors to reduce the impact of a potential issuer default. The TCM framework allows a cost-efficient and flexible exposure collateralization.

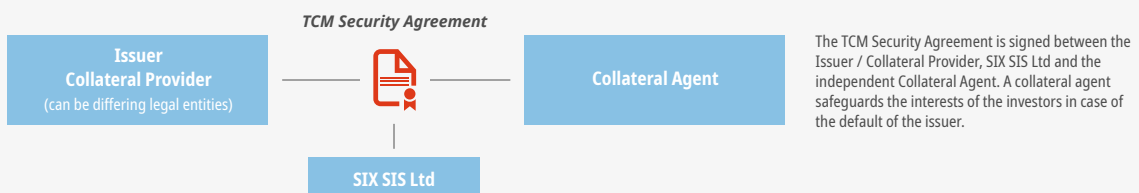
The offering has been specifically developed for structured products with or without a listing on a regulated exchange. For structured products secured by TCM, the collateral provider provides specific collateral that is used

to cover their obligations to investors in the case of notices of default or insolvency events.

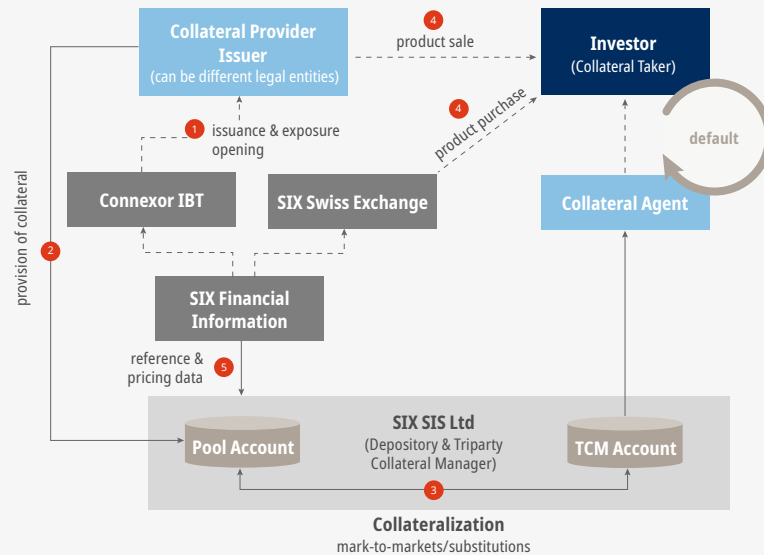
Collateral, as elected by the issuer and/or collateral provider is deposited with SIX SIS Ltd in a segregated TCM account in the name of the issuer or collateral provider (if not identical with issuer) of the TCM secured structured product.

SIX SIS Ltd handles all of the account administration while the collateral is pledged in favor of the investor. SIX SIS Ltd is a completely neutral, independent pledge holder and continuously tracks the value of both the issued TCM secured structured product and the associated pledged collateral. In the event of under-collateralization, SIX SIS Ltd automatically demands additional collateral from the collateral provider.

THE PARTIES TO THE TRIPARTY SECURITY AGREEMENT



THE TRIPARTY COLLATERAL MANAGEMENT (TCM) FRAMEWORK TO SECURE STRUCTURED PRODUCTS



1. The structured product is issued via Connexor IBT. The issuance automatically triggers the exposure opening at SIX SIS Ltd.
2. At the time of issuance of the structured product, the Collateral Provider provides sufficient collateral value (as defined by the agreements) in the Pool Account.
3. SIX SIS Ltd covers the initial exposure by transferring eligible collateral into the Pledge Account in favor of the Collateral Taker and ensures collateralization with daily mark to markets.
4. Structured products are made available in the Ordinary Account of the Issuer, from where they can be sold / transferred to the Investor. Listed structured products can initially be purchased at the SIX Swiss Exchange.
5. SIX SIS Ltd adapts the exposure value according to the current market price available from SIX Financial Information and to the current issued quantity.

Termination: The termination of the exposure is automatically triggered by the expiry date of the structured products.

Default: In case of a realization event the Collateral Agent sends a default notification to SIX SIS which then liquidates the collateral.

The role of each party is summarized in the table below:

Party	
Collateral provider <i>Issuer (issuer & collateral provider can be different legal entities)</i>	The collateral provider establishes the collateral eligibility criteria, delivers collateral to the custodian and communicates the current value of the structured product to SIX Financial Information. The issuer is responsible for the issuance of the structured product and communicates the current value of the structured product.
Collateral taker (investor)	The collateral taker, i.e. the investor, purchases the TCM secured structured product in the primary or secondary market. In case of an issuer default, the collateral taker is the beneficiary of any realized collateral earmarked for a particular TCM secured structured product after a realization event has occurred. The collateral taker exercises its right exclusively through the collateral agent.
Collateral agent	The collateral agent is the direct representative (direkter Stellvertreter) of the collateral taker and acts for and on its behalf. In case of a realization event, the collateral agent sends a default notification to SIX SIS Ltd which then liquidates the collateral. By default, SIX Repo Ltd performs the role of independent collateral agent.
Custodian, triparty collateral manager and pledge holder (SIX SIS Ltd)	Within the Triparty Collateral Management service, SIX SIS Ltd acts as a neutral service provider, which maintains the account in which the collateral is held. SIX SIS Ltd calculates the collateral requirement (multiple times a day), before collateral for a specific TCM secured structured product is moved and blocked in the TCM account and notifies the collateral provider in case of additional collateral requirements. SIX SIS Ltd will notify the collateral agent in case of a realization event.
SIX Swiss Exchange	Structured products can be listed at an exchange, such as SIX Swiss Exchange, where they are purchased by different investors.
Connexor IBT	The issuer must create the structured product via Connexor IBT; the issuance of the structured product then automatically triggers the generation of TCM exposure.
SIX Financial Information	SIX Financial Information is the pricing source which distributes the prices of structured products, which serve as the basis for the mark-to-market process of the exposure valuation.



Benefits:

- Issuers benefit from access to a wider range of potential investors
- SIX offers a full STP process for the collateralization of structured products via TCM

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