

[non-binding translation]  
**Trading Rules of the BX Swiss AG**

**1. Purpose and subject matter**

- 1.1. The Trading Rules govern the organisation of trading, the execution of trades, and their clearing and settlement on the BX Swiss AG (hereinafter “BX”).
- 1.2. Taking into consideration the principle of equal treatment, the Trading Rules aim to ensure orderly and transparent trading and trouble-free processing of the trades.
- 1.3. Trading models and product groups are governed by the Trading Directive.
- 1.4. The admission to trading is governed by the Participant Rules.

**2. BX exchange system**

- 2.1. The BX offers an electronic trading system (BX exchange system) for the trading of instruments and financial products (instruments), which ensures the automatic completion and subsequently the automatic processing of the trading transactions during trading hours in accordance with the present Trading Rules and the Trading Directive.
- 2.2. Participants and their authorised traders can join the BX exchange system, connect themselves to it and participate in it.
- 2.3. Participants must use the BX exchange system in compliance with the rules and provisions of the BX, and refrain from manipulating or modifying the BX exchange system and its interfaces as well as from the improper use or transfer of the BX software and the data received from the BX exchange system.
- 2.4. The participant informs the BX immediately if:
  - a) the participant violates or cannot comply with the Trading Rules;
  - b) the participant or its authorised dealers violate or fail to comply with the obligations according to the Participant Rules;
  - c) the competent supervisory authority initiates proceedings which affect the participation in trading against the participant, its traders registered on the BX or its persons responsible;
  - d) a technical problem with the connection to the BX exchange system occurs;
  - e) if the participant’s access to clearing or settlement providers is or could be suspended or terminated.
- 2.5. The participant is liable for the actions and omissions of its bodies, employees and third parties commissioned by the participant. The BX is liable in accordance with the provisions of the Participant Rules.
- 2.6. The principle of equal treatment applies exclusively to the BX exchange system, which ends at the physical output of the gateway to the systems of the traders. The BX ensures the equal treatment of trading participants in accordance with the following principles:
  - f) all participants have equal access possibilities to the functions of the BX exchange system;
  - g) the data sent from the BX exchange system is provided on the gateway to all participants at the same time;
  - h) the inputs of the participants are processed in the order the inputs arrive in the BX exchange system;

- i) inputs that arrive at the same time have equal probability to be processed first;
- j) decisive for determining the order of arrival is the order identification number (order ID) which is assigned by the BX exchange system; and
- k) the pricing in trading is determined equally for all participants pursuant to the rules for the determination of pricing set by the BX.

### **3. Product groups and segments**

- 3.1. Securities and other financial instruments (together “instruments”) are managed within product groups. A segment can consist of one or more product groups. Segments and product groups are defined by the BX.

### **4. On-exchange trading**

- 4.1. The subjects of on-exchange trading are exclusively instruments which were admitted to trading or were listed by the BX, which are payable and transferable upon completion in accordance with the specified settlement period.
- 4.2. On-Exchange trades are trades in the order book (“on-order-book”) or outside the order book (“off-order-book”) that occur during the opening or the continuous trading on the stock exchange. All other trades are considered as off-exchange trades.
- 4.3. The provisions of the present Trading Rules apply to on-exchange trades outside the order book (off-order-book trades). The following requirements must be met cumulatively:
  - a) the trade is reported as off-order-book trade to the BX in accordance with the Reporting Rules;
  - b) the parties concerned agree on a trade in accordance with the rules of the present Trading Rules before or at the time of the trade; and
  - c) the BX may verify the plausibility of the price of the reported trade.The BX may process on-exchange trades that are off-order-book trades by arrangement.
- 4.4. The participants must comply with the rules, directives and decisions of the BX and provide information to the BX in accordance with the Participant Rules.
- 4.5. The participants’ actions must comply with the generally accepted business ethics and the market conduct rules defined by law, specifically in compliance with Article 142 and Article 143 of the Financial Market Infrastructure Act (FMIA) and the FINMA Circular 2013/8 “Market conduct rules”.

### **5. Off-exchange trading**

- 5.1. Off-exchange trades are not subject to the present Trading Rules. They can be reported to the BX in accordance with the Reporting Rules of the reporting office and are subject to fees.

### **6. Algorithmic trading**

- 6.1. Trading Participants performing algorithmic trading must report it to the BX and mark the orders generated this way. They must keep records of all orders sent including order cancellations and must have taken effective precautions and implemented risk controls to ensure that their systems meet the requirements laid down in Article 31 paragraph 2 of the Financial Market Infrastructure Ordinance (FMIO).

- 6.2. Trading Participants mark orders generated by algorithmic trading by comprehensibly designating the algorithm used for the order creation and the trader who triggered these orders in the trading system. The BX provides the corresponding functionalities in all trading models.
- 6.3. In order to take the additional exchange system load into account, the BX may charge higher fees for:
- a) issuing orders which are cancelled later;
  - b) participants with a high percentage of cancelled orders;
  - c) participants with:
    1. an infrastructure to minimise delays while transmitting orders,
    2. a system that decides on the initiation, creation, forwarding or execution of an order,
    3. a high number of price quotations, orders or cancellations during trading hours.

## **7. Reporting obligation**

- 7.1. All participants are subject to the obligation to report securities transactions for trades of instruments that are admitted to trading on the BX, and of derivatives derived from securities that are admitted to trading on the BX.
- 7.2. The reports are submitted to the reporting office of the BX or to a trade data monitor (TDM) recognised by the BX in accordance with the Reporting Rules.

## **8. Obligation to trade on the exchange**

- 8.1. The BX may oblige Trading Participants to execute trades of instruments listed on the BX exclusively as on-order-book trades up to a certain volume during trading hours.
- 8.2. Any obligation to trade on the exchange does not apply during a trading failure (emergency situation) and is subject to the legal provisions which oblige the Trading Participant to execute orders as best as possible (best execution).
- 8.3. The obligation to trade on the exchange is governed according to product groups in the Trading Directive.

## **9. Market information, pre-and post-trade transparency**

- 9.1. For the transparency and facilitation of trading and as information for the market participants, market information on pre-and post-trade transparency and other data and reports are published in compliance with the professional secrecy pursuant to Article 29 of the FMIA.
- 9.2. Market information on pre-and post-trade transparency (prices, turnover and other data) is published promptly with the exception of the delayed publication of trades pursuant to the Reporting Rules.
- 9.3. The BX may define the level of information that is published according to trading model, instruments or product groups. The details are governed by the Trading Directive.
- 9.4. Market information is published on the website of the BX and via the connected data vendors.
- 9.5. The BX and data vendors individually define the level of provided information contractually.
- 9.6. Participants and their traders may use the market information transmitted via the BX exchange system.
- 9.7. The BX may charge fees for the dissemination of market information.
- 9.8. The BX stores all information and is authorised to forward it to the competent authorities or other addressees stipulated by law or supervisory authorities.

## **10. Market control**

- 10.1. The market control of the BX ensures orderly and transparent trading.
- 10.2. In the interest of transparent, efficient and liquid trading, the market control may suspend the trading of individual instruments or individual product groups temporarily or entirely, shorten or prolong the trading time or delay the opening for individual instruments overall, instruct participants to delete orders from the order book, invalidate transactions effected (mistrades), cancel transactions effected or demand that the participants reverse these transactions.
- 10.3. The details are governed by the Market Control Directive of the BX.

## **11. Extraordinary situations**

- 11.1. The market control decides at its own discretion whether an extraordinary situation exists, specifically in the event of:
  - a) large price fluctuations or securities which deviate significantly from the market price;
  - b) decisions or information which will be published shortly and may affect the prices significantly (price-relevant information);
  - c) other situations that are likely to compromise orderly and transparent trading.
- 11.2. In the event of an extraordinary situation, the market control can take all the measures it deems necessary to maintain an orderly and transparent trading to the extent possible. In particular, the market control may delay the opening of trading of an instrument or for the entire market, interrupt or suspend the continuous trading of an instrument or for the entire market, or invalidate trades.
- 11.3. The market control informs the Trading Participants about the measures taken.
- 11.4. The details are governed by the present Trading Rules, the Trading Directive and in the Market Control Directive of the BX.

## **12. Emergency situations**

- 12.1. Whenever possible, trading on the BX is maintained, based on the fundamental principles of an orderly and transparent market.
- 12.2. The BX determines at its own discretion whether an emergency situation exists, who or what is affected, which specific measures are applicable and when the emergency situation is over.
- 12.3. Short technical disruptions of the BX exchange system or a trader system, as well as the failure of the settlement system (connection between the BX and clearing or settlement providers) are not emergency situations.
- 12.4. Emergency situations within the meaning of these rules are, for example:
  - a) the failure of the BX exchange system;
  - b) failure of one or more trader systems at Trading Participants; in its assessment the BX considers the market shares of the Trading Participant(s) concerned; Trading Participants concerned must inform the BX immediately about a severe disruption or failure of the trader system; they may request the deletion of their order books; the request for deletion must be confirmed immediately in writing (via email);
  - c) events of force majeure;
  - d) other events that could compromise orderly and transparent trading.
- 12.5. The BX informs the Trading Participants immediately about the start or end of an emergency situation by means of the available information tools or by phone.

- 12.6. As soon as the BX exchange system is available again, the BX sets the time when trading will be resumed. The reopening will be set in such a way, that the Trading Participants have sufficient time to update the order books.
- 12.7. During the failure of the BX exchange system, there is no obligation to trade on the exchange, but the obligation to report remains in effect.
- 12.8. In emergency situations, the Trading Participants enter into agreements on trading with other Trading Participants autonomously and on their own responsibility.

### **13. On-order-book trading**

- 13.1. The BX defines different trading models and sets pricing rules for on-order-book trading
- 13.2. The BX keeps an order book for each traded instrument. The orders entered are organised and managed according to price and the time they were received.
- 13.3. Trading models, trading calendar, trading hours and implementing provisions are governed by the Trading Directive.

### **14. Orders**

- 14.1. An order is a binding offer to buy or sell a certain number of an instrument at an unlimited or limited price.
- 14.2. Orders can be entered, changed, and deleted during the allotted timeframe.
- 14.3. Orders which are entered outside the allotted timeframe can be placed in a queue (queued) or rejected.
- 14.4. All orders received are given a timestamp and an order identification number (order ID) by the BX exchange system.
- 14.5. Changed orders lose the original time priority and receive a new timestamp.
- 14.6. An order must include all details required by the BX exchange system, such as instrument, purchase or sale, number or quantity, price, validity, nostro order or customer order, indication of the algorithms used or related information in accordance with Article 31 paragraph 1 of the FMIO. Incomplete or invalid orders are rejected.
- 14.7. The type and validity of orders are governed by the Trading Directive.
- 14.8. Price steps (tick size) and smallest tradable quantity (minimum round lot) are defined in the Trading Directive.
- 14.9. The quote (Q) is the simultaneous entry of a limited buy and sell price by a market maker. Depending on the trading model or product group, the quote can be a binding or non-binding offer.

### **15. Trading surveillance**

- 15.1. Pursuant to Article 31 paragraph 1 of the FMIA, the independent trading surveillance office (TSO) monitors trading for its compliance with the applicable legal provisions, the relevant regulations of the FINMA and the rules of the BX.
- 15.2. Subject to the banking secrecy, the TSO may request at any time the necessary information and proof from the participants. The TSO may also check the participants' compliance with the provisions pursuant to clause 15.1. through their internal audit function or auditors.
- 15.3. If any legal violation or other deficiencies are suspected, the TSO notifies the FINMA and other competent authorities.

## **16. Clearing and settlement**

- 16.1. Trades are cleared and settled with or without inclusion of a central counterparty (CCP).
- 16.2. The BX defines which instruments can be settled via a CCP (eligible for CCP) and regulates the details in the Trading Directive.
- 16.3. Subject to differing provisions of the clearing or settlement provider, trades must be transmitted and paid two trading days after the trade date (value date T+2).
- 16.4. For instruments which are eligible for CCP, the BX transmits information about trades on behalf of the involved participants or commissioned third parties to the CCP, and for other instruments to the settlement provider.
- 16.5. Clearing and settlement are carried out via clearing or settlement providers that are recognised by the BX.
- 16.6. Participants may choose to dispense with the automatic processing via the BX. A corresponding application must be submitted to and approved by the BX.

## **17. Trades without the involvement of a CCP**

- 17.1. For trades without the involvement of a central counterparty (CCP), a direct contractual relationship between the participants involved is formed under Swiss law. The contracting parties bear the counterparty risk. Contact data and contact persons of the other party may be enquired at the BX, if necessary.
- 17.2. Upon conclusion of the contract, the rights, obligations (including subscription rights and coupons) to and deriving from the sold instrument are transferred to the buyer.
- 17.3. The details are governed by the Clearing and Settlement Directive.

## **18. Late settlement and buy-in**

- 18.1. If a trade cannot be settled on the intended settlement date (ISD) because the defaulting seller does not hold the instruments, the seller has four additional trading days (ISD+4) to buy the missing instruments. The defaulting seller must reimburse all costs incurred by the buyer, including costs in connection with a possible borrowing of instruments, and loss of interest, calculated at the applicable interest rate of the standing facility of the Swiss National Bank.
- 18.2. The details are governed by the Clearing and Settlement Directive.
- 18.3. The BX may disclose the disciplinary measures imposed as well as the violations they are based on to other Trading Participants and the public.

## **19. Trades with the involvement of a CCP**

- 19.1. To instruments which are settled via a central counterparty (CCP), the provisions of the CCP apply, and on a subsidiary basis, the provisions of clause 17 and clause 18 of the present Trading Rules.
- 19.2. After an on-order-book trade, or, where requested, after an off-order-book trade, the CCP enters into a contract with the selling participant in which the CCP functions as buyer, and into a separate contract as seller with the buying participant. Pursuant to its own provisions, the CCP may reject a trade or reject to enter into the contract as central counterparty. In this case, no contract is concluded between the parties and the trade is null and void. No claims can be asserted against the other participants or the BX.

- 19.3. The participants involved in the trade are at no time in a contractual relationship. The BX specifies in the Trading Directive for which product groups the identity of the counterparty is disclosed.
- 19.4. Participants with no direct access to a clearing house that is recognised by the BX (non-clearing members, NCM) must designate a general clearing member (GCM) that is recognised by the BX. For trades involving an NCM, the BX transmits the details of the GCM designated by the NCM to the CCP.
- 19.5. The CCP commissions the settlement agent with the transfer of the instruments. For the delivery and transfer of rights and claims, the participant complies with the requirements, processes and deadlines of the respective settlement agents and the CCP.

## **20. Disciplinary measures**

- 20.1. In the event of non-compliance with these rules, BX takes the disciplinary measures necessary to restore the situation to a state conforming to the rules.
- 20.2. Responsibility for the decree of disciplinary measures lies with the regulatory body.
- 20.3. The regulatory body may disclose the disciplinary measures to the participants and to the public imposed on participants and the underlying violations.

## **21. Sanctions**

- 21.1. The BX may impose sanctions on the participants for the following actions or omissions:
  - a) violation of laws which are relevant to stock exchanges;
  - b) violation of rules or directives of BX;
  - c) breach of contractual agreements with BX;
  - d) unfair trading practices on BX;
  - e) failure to comply with measures of BX;
  - f) attempted or committed violation of the security measures of the BX exchange system;
  - g) attempted or committed manipulation or modification of the hardware and/or software of the BX exchange system or interfaces;
  - h) improper use or passing on of the software of BX or the data received from the BX exchange system;
  - i) obstructing internal or external auditors in the performance of their activities;
  - j) failure to comply with the sanction proceedings and non-compliance with a sanction decision;
  - k) other actions or omissions, which, in the opinion of BX, affect the integrity of the exchange.
- 21.2. The BX may impose the following sanctions on participants:
  - a) warning;
  - b) fines up to CHF 1,000,000;
  - c) suspension or exclusion from trading.
- 21.3. The BX may impose the following sanctions on a trader:
  - a) reprimand;
  - b) suspension;
  - c) withdrawal of registration.
- 21.4. While imposing sanctions, the BX takes into account the severity of the violation and culpability as well as previous sanctions against the participant or trader.



- 21.5. Responsibility for imposing sanctions lies with the sanction commission of BX.
- 21.6. The sanction commission may disclose the sanctions imposed on participants to participants and the public.

## **22. Appeal**

- 22.1. Decisions of the regulatory body regarding disciplinary actions in accordance with clause 20. and sanctions of the sanction commission in accordance with clause 21. may be appealed against by submitting an appeal to the independent appeal body of BX within thirty days after the notification of the decision.

## **23. Fees**

- 23.1. Participants are obligated to pay statutory fees and the fees set by the BX in due time.
- 23.2. The details are governed by the List of Fees and other price lists of the BX.

## **24. Entry into force**

- 24.1. These Trading Rules were adopted by the regulatory body and approved by the FINMA on 22 December 2017. They were partially revised in consultation with the FINMA in the course of the migration to the new trading system as of 27 April 2018<sup>1</sup> and enter into force on 4 May 2018.
- 24.2. By amendments of the Rules of Appeal as of 12 August 2019, clause 20. and 21. of the rules were amended, a new clause 22. was added, and the numbering was adjusted from clause 21. onwards. The amendments were approved by FINMA on 13 December 2019 enter into force on 1 January 2020.

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<sup>1</sup> Transfer of the provisions on algorithmic trading from the Trading Directive to the Trading Rules (new clause 6); deletion of clause 8 referring to the concentration rule and of clause 18.3 referring to disciplinary measures.