

SDX to allow bonds already listed on recognized foreign venues and on SIX to be admitted for trading

On 14 September 2023, the SIX Regulatory Board announced that the listing rules of SDX have been amended to allow for bonds already listed on recognized foreign trading venues and on SIX to be admitted to trading. These bonds will be tokenized and settled through SDX's central security depository thereby benefiting from SDX's instant "atomic" trading and settlement functionality.

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As from 29 September 2023, SDX Trading AG ("**SDX**"), the digital exchange of the SIX group, will allow bonds already listed on recognized foreign trading venues and on SIX Swiss Exchange ("**SIX**") to be admitted to trading on SDX.

All SIX-listed bonds will be eligible to be admitted to trading on SDX, whereas for non SIX-listed bonds, only bonds not denominated in Swiss francs and listed on recognized foreign trading venues will be eligible. The eligibility for SDX admission ends at the same time as the relevant bond is delisted at its primary exchange.

Impact for issuers

The updated SDX rules provide for the possibility to admit additional bonds to trading. These bonds will however not be considered as "listed" on SDX and their issuers will in principle not be involved in the admission process. Rather, the admission to trading will take place either at the



initiative of SDX itself or following a request from an SDX participant.

Securities traded on SDX take the form of digital tokens created through SDX's central security depository ("SDX-CSD"). The tokenization and de-tokenization process can (and, in this case, will) however be initiated by members of SDX-CSD, without the issuer being required to take action. In fact, the tokenization and de-tokenization in SDX-CSD will only be relevant for participants of SDX and will have no impact on issuers. From the issuers' perspective, the bonds will continue to be in the form chosen at issuance (e.g. intermediated securities or global certificate).

Impact for traders

The new SDX trading admission scheme will allow SDX participants to trade bonds through the SDX infrastructure and its instant "atomic" trading and settlement feature that eliminates counterparty risk. The point is noteworthy, as bonds not denominated in Swiss francs would typically not be cleared by a central counterparty when traded on SIX, resulting in a counterparty exposure for the parties.

SDX being a securities exchange, bonds admitted to trading on this venue will bring them in scope of certain relevant Swiss regulations, regardless of whether they are traded on SDX or not, in particular the transaction reporting regime for Swiss securities firms and non-Swiss participants ("remote participants"). Even if they do not trade on SDX, market actors subject to the transaction reporting regime will therefore need to monitor the list of bonds admitted to trading on SDX, as these may be newly in scope of the transaction reporting obligation.

Please do not hesitate to contact us if you have any further questions on this subject.

Legal Note: The information contained in this Smart Insight newsletter is of general nature and does not constitute legal advice.

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