Discover the potential

An information brochure issued by SSPA, the Swiss Structured Products Association

STRUCTURED PRODUCTS

Contents

What are structured products?

Structured products are innovative and flexible investment instruments that represent an attractive alternative to direct investments (such as shares, bonds, currencies, etc.). Thanks to their flexibility, they lend themselves to investment solutions to suit any risk profile, even in challenging market situations.

Structured products are defined as investment instruments publicly issued by securities issuers whose redemption value is linked to the performance of one or more underlying assets. According to a given derivative strategy, suitable products can be designed to fit any market expectation (positive, stagnant, negative) and any risk profile (conservative, balanced, aggressive).

Most of the products sold have a structure with full or conditional capital protection or optimized risk-yield ratios.

Legally, structured products are bonds or debt obligations payable by the issuer. The issuer is liable for their fulfillment to the full extent of his assets. This makes a structured product issuer's creditworthiness of paramount importance to the investor. Structured products are not collective investments, and investors do not enjoy the special legal protection provided by Switzerland's Collective Investment Schemes Act (KAG).

Today, they are directly or indirectly responsible for more than 3,000 highly skilled jobs. According to information from the Swiss National Bank, approx. CHF 200 billion in Swiss custodial accounts is currently invested in structured products (assets under management). 4 % of all assets under management in Switzerland.

Structured products are important to both asset management and the Swiss financial center as a whole. Recent growth has made them a significant part of Switzerland's economy. For the latest market volumes, visit the website: **www.sspa-association.ch**

Derivatives: a brief history

Structured products, or derivatives, stand for innovation, complexity and modernity. Yet the first derivative transactions took place before the beginning of the Common Era.

Often (wrongly) characterized as speculative, derivatives can serve an important function: They protect manufacturers against rises in commodity prices or poor harvests. McDonald's, for example, uses beef futures to ringfence hamburger prices against commodity price fluctuations.

This kind of risk transfer also provides private investors with a hedge against declining share prices.

Derivatives: the beginnings
Historically, derivatives are much older than stocks: The first forward transactions appear to have been conducted as far back as 1700 BC, while the first recorded stock-market share trade took place in 1602 AD.

In the first recorded instance of speculative transactions, in 500 BC, futures were traded in olives. Wanting a hedge against falling prices, producers agreed on a selling price in advance. Buyers were in turn assured that prices wouldn't go up. Round about that time Thales, the famous mathematician, bought options on the operation of olive presses, exploitation rights which – thanks to his ability to estimate the volume of the next harvest early and accurately – he later sold at a profit. His options gave Thales the right to the future use of a commodity. Had the next harvest been poor, he would not have exercised his options and they would have worthlessly expired. The principle remains unchanged to this day.

From tulip mania to forward transaction
In 17th-century Netherlands, the options trade blossomed as tulip mania, a speculation-fed tulips bubble, swept the country. At the time, tulip bulbs were valued more highly than gems or gold. When bulb prices reached exorbitant heights in 1637, dealers ignited a sell-off, prices collapsed and an economic crisis ensued.

The opening of the Chicago Board of Trade in the 19th century made forward transactions respectable. The Board enforced commodity trading standards that made possible a leap in forward transactions. Their name? Futures.

When fixed exchange rates collapsed in the early 1970s, some kind of security guarantee was clearly needed because international companies invoicing their products in a foreign currency were too exposed to currency fluctuations.

Derivatives boom since the mid-1980s
The Black-Scholes option pricing model, a mathematical formula, led to precise option valuation that rapidly boosted interest in derivatives. Initially, computers were too slow to handle the complex calculations but technological progress soon caught up. First came trade in simple market risks, such as those associated with shares, followed by derivatives based on interest, loan default, commodities and foods. Today, there are even pork bellies and orange juice concentrate futures.

1991	2006	2007	2008	2009
Swiss Bank Corporation issues Switzerland's first structured product – a capital protection product	Establishment of SSPA, **the Swiss Structured Products Association** First edition of the **Swiss Derivative Awards**	Opening of the **Scoach** derivatives exchange for the electronic trade in structured products in Switzerland	Founding of **Eusipa,** the European Structured Investment Products Association, the umbrella organization of structured products in Europe	**Collateral Secured Instruments (COSI)** to eliminate issuer risk launched at Scoach Switzerland

2010	2012	2015	2015	2017
SSPA launches its Investor **Knowledge Initiative**	SSPA launches the communication initiative **"Discover the potential"**	To further increase the transparency of structured products, issuers disclose all fees included in the product price for sales	Publication of the first **comprehensive and representative study** of structured products on the Swiss market, demonstrating good performance at a reasonable cost	Launch of the **"SP Portfolio Optimizer"** app, which helps relationship managers to understand the impact of structured products on the portfolio and methodically explains the benefits of their inclusion.

Outlook

In recent years, structured products have proven their worth, establishing themselves as innovative and flexible investment instruments. Thanks to the wide range of structured products on offer – more than 20 types in all – Switzerland has established itself internationally as a leading innovative force, time and again demonstrating its strength in this area. With its introduction of Collateral Secured Instruments (COSI), for example, Switzerland (SIX and SSPA) created an effective product with which to sharply reduce issuer risk. This innovation has met with tremendous acceptance worldwide, and COSI products are already an extremely successful export. New product solutions such as these have also strengthened the innovative force and attractiveness of the entire Swiss financial center. Even so, the full potential of structured products has yet to be fully recognized or utilized. That is why simple and straightforward explanation and provision of information are at the focal point of the SSPA's efforts to raise awareness of the potential and advantages of structured products. Selected examples clearly demonstrate how to take advantage of their potential. The objective is to spur investors to take a closer look at structured products and make greater use of the wealth of information provided by issuers and the Association, or to discuss the optimum deployment with their bankers.

One of the industry's most significant trends involves customised product tools, which have been refined by issuers and integrated into meta-platforms. This makes it possible for investors to obtain certificate offers from multiple issuers through a single platform, which increases price transparency and competition. Additional transparency is ensured by the fact that all issuers disclose the sales fees for structured products. This encompasses all of the fees that the issuer has included in the issue price for the product, including compensation for sales partners. This ensures that the investor knows the precise financial incentives accruing to a distributor for a sale, allowing investors to obtain better information about products and issuers.

Product types and categories

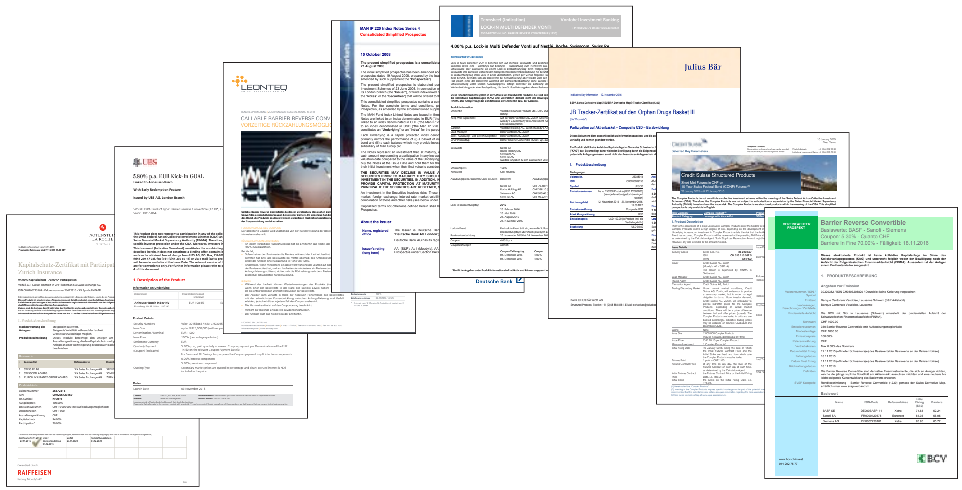
The SSPA provides clarity

The structured products market has given rise to many, sometimes overlapping terms. For instance, the labels certificate, structured product and derivative are often used interchangeably – and there are still many other product names in use. To simplify this, in 2006, the SSPA issued its Swiss Derivative Map, an independent, systematized investor guide accepted by the entire market.

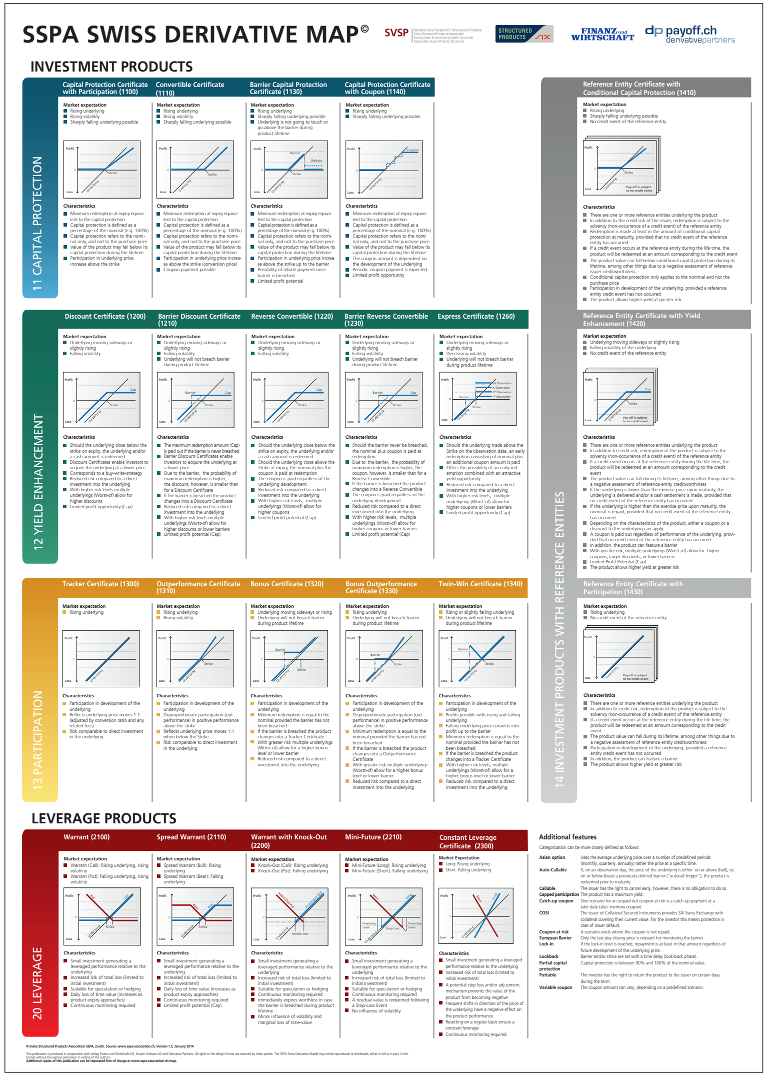
The SSPA Swiss Derivative Map

Dividing structured products first into investment and leverage products, the Map then subdivides the two categories into six main groups, each listing a set of product types, for a total of more than twenty. A payout diagram shows the function of each product type. The map also informs about market expectation and product characteristics.

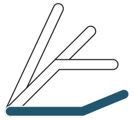
· The Association website **www.sspa-association.ch/produktindex** contains an interactive product finder.
· The classification is updated monthly.
· Three issuers coming out with at least three products each of the same type triggers the formation of a new category.



The SSPA Swiss Derivative Map: milestone in the structured products story

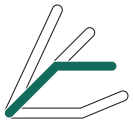


Capital protection products



Capital protection products protect against falling prices. As a rule, capital protection is from 90 % to 100 % of the nominal value applicable on product expiry. As with bonds, there can be price fluctuations throughout a structured product's life. Generally, the growth potential of capital protection products is lower than that of other products and may even be limited (capped capital protection products). Their earning potential may nevertheless be significant without foregoing capital protection.

Yield enhancement products



Yield enhancement products are suitable for sideways-tending markets, with the investor foregoing full participation in the underlying's price increases. The threshold of participation is called the cap. In return for surrendering the full upward growth potential, the investor is given a coupon, called a reverse convertible, or a discount on the underlying (discount certificate). If the underlying declines sharply and falls below the cap or the barrier (barrier reverse convertible), the investor shares fully in the loss as he would with a direct investment in the underlying. But since the coupon is redeemed in any case, yield enhancement products are often referred to as interest-bearing shares. The coupon yield of products with several underlyings goes up – as does risk because none of the underlyings is allowed to fall below the threshold.

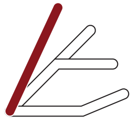
Participation products

In principle, participation products share fully in the underlying's price movements, with no up or down limitations. Some products share in parallel with such price movements (tracker certificates), others come with additional mechanisms. For instance, the participation rate of outperformance certificates goes up beyond a previously specified threshold (strike). In turn, the investor foregoes dividends in favor of the outperformance mechanism. Bonus certificates pay a bonus even if the underlying's price fails to increase but moves sideways. On the other hand, there are no dividend payments to the investor because issuers use them to finance the bonus mechanism.

Investment products with reference issuers

In the summer of 2011, the SSPA added a new category to its categorization model entitled "Investment Products with Reference Issuers". With securities from sources other than banks as the fixed-interest component, these products provide additional opportunities to increase yield and diversify debtors. Included in the new category are "reference issuer certificates with conditional capital protection", "reference issuer certificates with yield enhancement" and "reference issuer certificates with participation". The market expectation underlying each of the three product types conforms to that of the respective category to which they refer. For instance, in the case of "reference issuer certificates with yield enhancement", the market expectations of yield enhancement products apply in principle.

Leverage products



Leverage products allow short-term speculation or hedging. Best-known among them are put and call warrants with a fixed lifetime, and mini-futures and knock-outs, which expire early once a barrier has been reached (stop-loss, knock-out). Leverage products follow the underlying price movements with a leverage mechanism. Whereas the expected volatility of warrants has a significant impact on price, this is not the case with mini-futures at all and only to a minimal extent with knock-out products.
As of autumn 2012, the range of leverage products has been expanded to include the new Constant Leverage certificate product type. These products, which are also referred to as factor certificates or index certificates, are equipped with a constant leverage (factor) and grant the holder disproportionally high participation in movements in the underlying assets. Unlike knock-out warrants or mini-futures, these products do not have a knock-out. The constant leverage certificates are also largely volatility-neutral and are not subject to any loss of time value. Investments in leverage products require consistent monitoring, with maximum loss limited to the invested capital. Unlike other forward transactions, there is no obligation for supplementary payment.

Market acceptance

Association-defined product types are listed on the easy-to-understand Swiss Derivative Map. Produced in cooperation with Payoff.ch (Derivative Partners), the financial newspaper "Finanz und Wirtschaft" and the SIX Structured Products derivates exchange, it is available free of charge in folder or poster form.

The Swiss Derivative Map enjoys wide acceptance in the marketplace. Many investors consider it an indispensable aid. Most issuers note SSPA classifications on their termsheets.

Eusipa, the European Structured Products Investment Association, has based its Europe-wide, uniform classification on the Swiss Derivative Map's categorization system. As a result, the categorization system developed by the SSPA has become the standard valid throughout Europe.

Available from

You may download the Swiss Derivative Map in poster and folder form at
www.sspa-association.ch/derivativemap

or order a poster or folder of the map free of charge at **www.sspa-association.ch**

Structured products: four key advantages

Four key advantages distinguish structured products. Unlike other asset categories, all market opinions and risk profiles can be represented, investments in every asset category are possible, and thanks to guaranteed liquidity, the products may be traded at any time.

1. Every market view …
Unlike traditional investment classes, structured products allow reproduction of all market views. Yields from direct investments in shares or funds depend on upward-moving prices while structured products can generate returns when price development is neutral, even declining – provided, of course, the underlying's future development is estimated correctly, as is the case with any other financial product investment.

2. Every risk profile …
Deployed correctly, structured products can satisfy any risk profile. Speculation-oriented investors may choose from a wide range of leverage products, yield-oriented investors prefer yield enhancement and participation products. Conservative investors are best served with capital protection products.

3. Every investment class …
Structured products open the door to investments in underlying assets not previously accessible to most investors. Examples are exotic stock markets such as BRIC or Eastern Europe, fixed-income investments such as bond indexes, commodities ranging from aluminum to zinc, real estate indices or baskets, alternative investment classes (hedge funds) and new ones such as the weather. Investments in traditional stock markets are another option. In short, structured products provide optimum diversification opportunities.

4. A high degree of liquidity …
Real-time prices, usually available at all times, assure structured products' high degree of liquidity. They have a proven liquidity advantage over other investment categories, some of which, in turbulent markets in particular, may trade to only a limited extent or not at all.

Risks

Like all financial products, structured products entail certain risks.

The first rule in estimating a structured product's future performance is to have an understanding of the underlying's likely future development. Successful investing in structured products also presupposes a degree of understanding of market mechanisms and some basic financial know-how. In addition, structured products should be a good portfolio fit, for instance, to prevent a concentration on a given underlying asset.

Another golden rule is to diversify. To make your investments more secure, we recommend using several issuers rather than a single bank. Should an issuer default, the loss is limited to that one issuer.

Issuer creditworthiness is vital. Structured products are debt obligations for which the issuer is liable to the extent of all his assets (not just special assets, as is the case with funds). This makes the security of a structured product dependent on the debtor's, or issuer's, creditworthiness. As a rule, bankruptcy claims against issuing banks arising from structured products do not enjoy privileged status. Investors are 3rd-category creditors, as are holders of loans or bonds.

On the SSPA website, **www.sspa-association.ch/creditworthiness,** are published its members' credit ratings, credit spreads and core capital ratios (tier 1 ratings). They are those of structured product issuers or, in the case of guarantees or other securities, of the providers of such securities. This information and a structured product's termsheet readily tells investors who is liable and to what extent.

Credit ratings
Credit ratings are those of the guarantor, usually a concern's parent company. Explanations of credit ratings by Moody's, S&P and Fitch are listed separately. The rating agencies have not assessed every issuer.

Credit spreads
Credit spreads help investors get an idea of an issuer's or guarantor's creditworthiness. The website information refers to corporate bonds of a one-year or five-year duration. The base points listed represent the investor's hypothetical insurance premium for coverage against default of the issuer's structured products. An even more precise means of measuring an issuer's creditworthiness are credit spreads, with a small spread indicating high creditworthiness.

Core capital ratio (tier 1 rating)
A tier 1 core capital ratio (according to Basel II) is the ratio of core capital to risk-weighted assets. Core capital consists of share capital, disclosed reserves and profit carried forward. Basel II equity requirements call for at least a 4% tier 1 rating.

Issuer creditworthiness – important aspect with structured products
Credit spreads provide an accurate picture of an issuer's creditworthiness. The SSPA updates the credit spreads of its members on a weekly basis. For more information regarding issuer creditworthiness, credit ratings, credit spreads, and core capital ratio see:
www.sspa-association.ch/creditworthiness

Issuer creditworthiness of SSPA members

SVSP Schweizerischer Verband für Strukturierte Produkte
Swiss Structured Products Association
Associazione Svizzera per prodotti strutturati
Association Suisse Produits Structurés

Data as of December 23. 2015

Issuer (issue vehicle)	Domicile	Relationship to rated company	Security category	Provider of security	Company awarded rating	Credit rating			Credit spread			
						Moody's	S&P	Fitch	1 year	Δ16.12	5 year	Δ16.12
Bank Julius Bär & Co. Ltd.	Zürich	same legal entity	-	none	**Bank Julius Bär & Co. Ltd.**	A3	n/a	n/a	n/a	n/a	n/a	n/a
Bank Julius Bär & Co. Ltd. Guernsey Branch	Guernsey	branch, same legal entity	-	none								
Bank Vontobel AG	Zürich	same legal entity	-	none	**Bank Vontobel AG**	A2	n/a	n/a	n/a	n/a	n/a	n/a
Vontobel Financial Products Ltd.	Dubai	subsidiary	guarantee	Vontobel Holding AG, Zurich	**Vontobel Holding AG**	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Banque Cantonale Vaudoise	Lausanne	same legal entity	-	none	**Banque Cantonale Vaudoise**	Aa2	AA	n/a	n/a	n/a	n/a	n/a
Banque Cantonale Vaudoise, Guernsey Branch	Guernsey	branch, same legal entity	-	none								
Barclays Bank PLC	London	same legal entity	-	none	**Barclays Bank PLC**	Baa3	BBB	A	23.22	-0.26	60.50	-0.80
BNP Paribas SA	Paris	same legal entity	-	none	**BNP Paribas SA**	A1	A+	A+	26.86	0.79	72.50	1.90
Commerzbank	Frankfurt	same legal entity	-	none	**Commerzbank**	Baa1	BBB+	BBB	34.32	-0.68	89.50	-2.00
Credit Suisse Guernsey Branch	Guernsey	branch, same legal entity	-	none	**Credit Suisse**[1) 2)]	Baa2	BBB+	A	52.39	2.56	86.50	1.00
Credit Suisse London Branch	London	branch, same legal entity	-	none								
Credit Suisse Nassau Branch	Nassau	branch, same legal entity	-	none								
Credit Suisse International	London	same legal entity	-	none	**Credit Suisse International**[1) 2)]	A1	A	A	n/a	n/a	n/a	n/a
Deutsche Bank AG	Frankfurt	same legal entity	-	none	**Deutsche Bank AG**	A3	BBB+	A-	46.31	0.63	96.50	1.00
Deutsche Bank AG, London Branch	London	branch, same legal entity	-	none								
Deutsche Bank AG, Zuerich Branch	Zürich	branch, same legal entity	-	none								
Leonteq Securities AG	Zürich	n/a	-	none	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Leonteq Securities AG Guernsey Branch	Guernsey	n/a	-	none	-							
EFG International Finance (Guernsey) Ltd.	Guernsey	subsidiary	guarantee	EFG International AG	**EFG International AG**	Aa2	n/a	A	n/a	n/a	n/a	n/a
Goldman Sachs International	London	subsidiary	guarantee	Goldman Sachs Group, Inc., Delaware	**Goldman Sachs Group, Inc.**	A3	BBB+	A	33.83	-2.68	89.00	1.73
Macquarie Structured Products (Europe) GmbH	Frankfurt	subsidiary	guarantee	Macquarie Bank Limited, London Branch	**Macquarie Bank Limited**	A3	BBB	A-	47.66	-5.74	109.29	-11.71
Merrill Lynch Capital Markets AG	Zürich	subsidiary	guarantee	Bank of America Corporation	**Bank of America Corporation**	Baa1	BBB+	A	24.64	-0.56	74.50	-1.44
Merrill Lynch International & Co. Netherlands Antilles	Curaçao	subsidiary	guarantee	Bank of America Corporation								
Merrill Lynch SA	Luxembourg	subsidiary	guarantee	Bank of America Corporation								
Morgan Stanley & Co. Inc.	Wilmington	same legal entity	-	none	**Morgan Stanley & Co. Inc.**	n/a	A	n/a	32.00	-0.05	87.50	-0.05
Morgan Stanley & Co. International Plc.	London	subsidiary	-	none	**Morgan Stanley & Co. International plc**	A1	A	n/a	n/a	n/a	n/a	n/a
Morgan Stanley B.V.	Amsterdam	subsidiary	guarantee	Morgan Stanley & Co. Inc., Wilmington, Delaware	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Notenstein Privatbank AG	St. Gallen	subsidiary	guarantee	Raiffeisen Schweiz Genossenschaft, St. Gallen	**Raiffeisen Schweiz Genossenschaft**	A2	n/a	n/a	n/a	n/a	n/a	n/a
Sal. Oppenheim jr. & Cie. KGaA	Köln	same legal entity	-	none	**Sal. Oppenheim jr. & Cie.**[4)]	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SGA Société Générale Acceptance N.V.	Curaçao	subsidiary	guarantee	Société Générale, Paris	**Société Générale**	A2	A	A	24.40	-0.05	69.50	-0.50
Société Générale Effekten GmbH	Frankfurt	subsidiary	guarantee	Société Générale, Paris								
The Royal Bank of Canada Capital Markets Ltd.	London	subsidiary	guarantee	The Royal Bank of Canada	**The Royal Bank of Canada**	Aa3	AA-	AA	n/a	n/a	n/a	n/a
UBS AG	Zürich	same legal entity	-	none	**UBS AG**	A2	A	A	19.75	-0.87	47.50	-0.71
UBS AG, Jersey Branch	Jersey	branch, same legal entity	-	none								
UBS AG, London Branch	London	branch, same legal entity	-	none								
UniCredit Bank AG	München	same legal entity	-	none	**UniCredit Bank AG**	A3	BBB	A-	30.66	0.01	79.28	-0.03
Zürcher Kantonalbank	Zürich	same legal entity	-	none	**Zürcher Kantonalbank**[3)]	Aaa	AAA	AAA	n/a	n/a	n/a	n/a
Zürcher Kantonalbank Finance (Guernsey) Ltd	Guernsey	subsidiary	keep-well agreement*	Zürcher Kantonalbank, Zurich								

Company awarded rating	Credit rating			Credit spread			
	Moody's	S&P	Fitch	1 year	Δ16.12	5 year	Δ16.12
Sal. Oppenheim jr. & Cie.[4)]	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Société Générale	A2	A	A	24.40	-0.05	69.50	-0.50
The Royal Bank of Canada	Aa3	AA-	AA	n/a	n/a	n/a	n/a
UBS AG	A2	A	A	19.75	-0.87	47.50	-0.71

Investing with structured products

Observe a few basic ground rules and a wealth of exciting investment opportunities awaits you. To invest in structured products successfully, a firm opinion of an underlying asset's likely market development is indispensable, as is a clear appreciation of one's risk profile. It would be wise to only invest in products one understands, and finally – the golden rule of all investing – diversify.

1 How do you expect the market to perform in general and as regards specific underlyings? Structured products allow investing in rising, falling or sideways-moving markets and markets with high or low volatility.

2 Are you familiar with the underlying and its past performance? What do the experts say? What are the alternatives?

3 How should the underlying develop to produce a profit? Refer to the termsheet for the main product characteristics.

4 Do you know the market scenarios that would result in a loss? Depending on the product, outperforming or failing to reach certain barriers can produce vastly different outcomes.

5 Do you know the product issuer and associated risk? Go to our website for more issuer information. The termsheet provides information on additional credit risks associated with reference issuer certificates.

6 Is the product within the limits of your risk profile? Choose from among
· risk-averse: mainly capital protection products
· limited risk: yield enhancement and participation products
· high risk: participation and leverage products

7 Have you absorbed all of a product's relevant information? Read the termsheet closely, and seek the advice of an investment adviser as needed.

Your investment decision

The structured road to the right product
Before investing in a structured product, the investor should be able to answer the questions on the left.

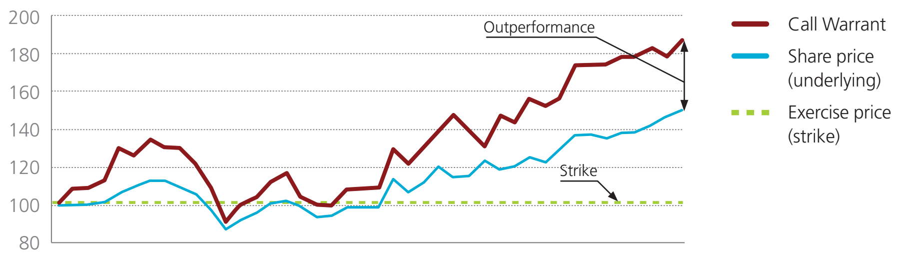
When do structured product investments make sense?

First example: leverage product
(Call Warrant, SSPA product type number 2100)
If you assume a rise in the underlying and higher volatility, choose a leverage product, such as a call warrant. Suitable for short-term speculation or hedging, call warrants leverage price rises of underlying assets. Ongoing monitoring is advisable. Note the daily loss of time value, which increases with the approach of the expiry date. The risk of total loss is higher, but won't exceed the amount of the initial investment.

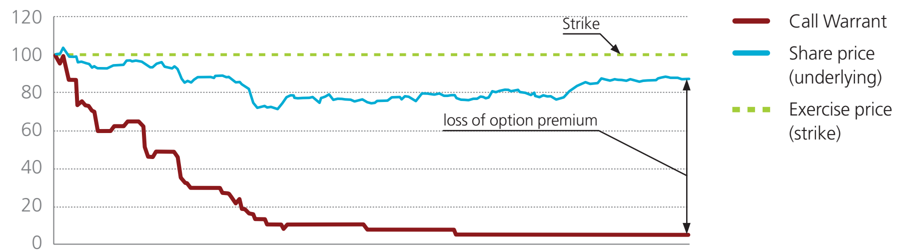
Scenario I: rising underlying
The underlying breaches the strike price (exercise price) at the start of the term. The call warrant's leverage effect produces a disproportionately high profit.

Scenario II: falling underlying
If the underlying's price is below the strike level at maturity, the option premium is lost.

Scenario I



Scenario II

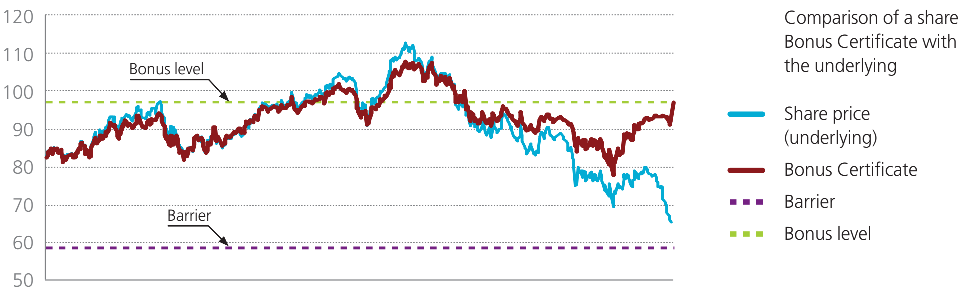


Second example: participation product
(Bonus Certificate, SSPA product type number 1320)
You assume a sideways-tending to slightly rising underlying. You want less risk than that associated with direct investment. A Bonus Certificate (participation product) that offers partial protection up to the barrier fits the bill. On reaching the barrier, the Bonus Certificate becomes a Tracker Certificate. If the barrier is never breached, repayment is at the bonus level or – if the underlying exceeds the bonus level – the equivalent of the underlying.

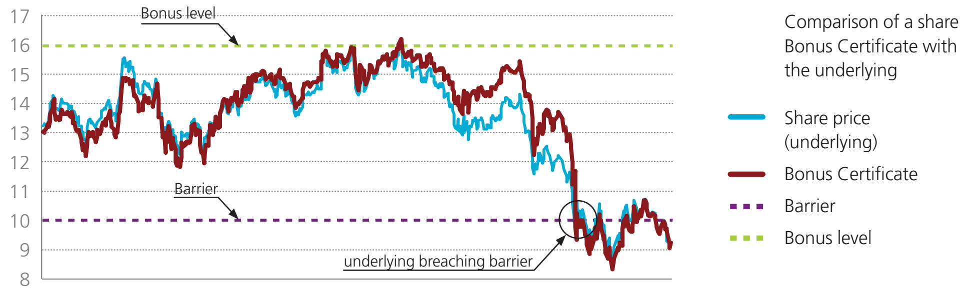
Scenario I:
The underlying does not breach the barrier during the term and on maturity is below the bonus level. The result is payment at the bonus level, which exceeds the underlying.

Scenario II:
The underlying breaches the barrier during its term. The Bonus Certificate then becomes a Tracker Certificate and loses the bonus mechanism. The result is price movements identical to those of the underlying.

Scenario I



Scenario II

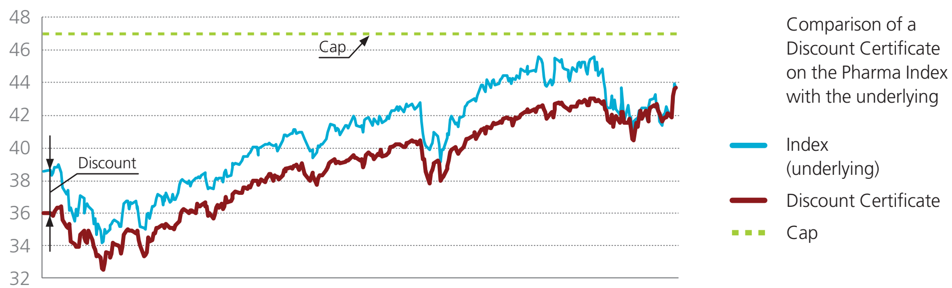


Third example: yield enhancement product
(Discount Certificate, SSPA product type number 1200)
You proceed from the assumption of a sideways-tending or slightly rising underlying, and declining volatility. In this case, a yield enhancement product, such as a Discount Certificate, would be appropriate. Should, on maturity, the price of the underlying be below the cap, you receive the underlying asset and/or a cash compensation. The cap limits profit potential. Discount Certificates provide a discount on the underlying asset. The risk of loss is less than that with a direct investment. If the product is based on a number of underlyings (multiassets), discounts can rise, but so can risk.

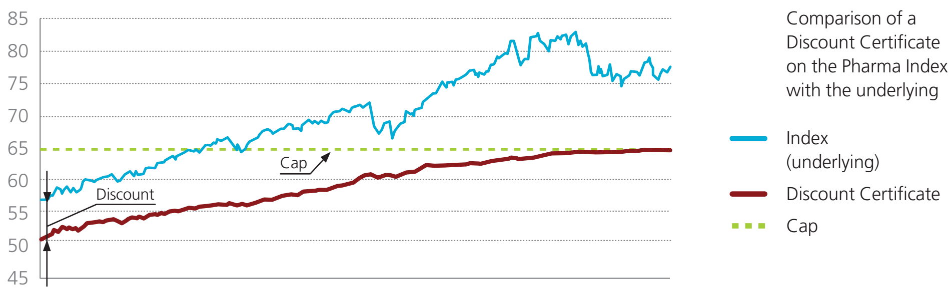
Scenario I:
On expiry, the underlying is under the cap. Since the Discount Certificate cost less than the underlying, the return from the certificate is higher than that from a direct investment.

Scenario II:
At maturity, the underlying exceeds the cap. Since there is no participation above the cap, the result is a return lower than that on the underlying asset.

Scenario I



Scenario II

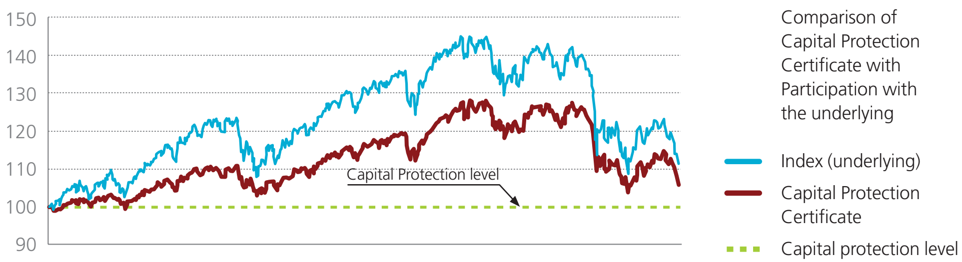


Fourth example: Capital Protection
(Certificate with Participation, SSPA product type number 1100)
You assume a rising underlyin,g but can't rule out large price drops, and you want redemption on expiry of no less than the invested capital. In this case, a Capital Protection Certificate is the answer. You participate to a predefined extent in a rising underlying. Repayment is no less than the amount of capital protection. On the other hand, you forego the certainty of the interest payments on money market investments. During the term of a Capital Protection Certificate, its value may drop below that of the guaranteed repayment amount, i.e. its capital protection applies on expiry and on the nominal value.

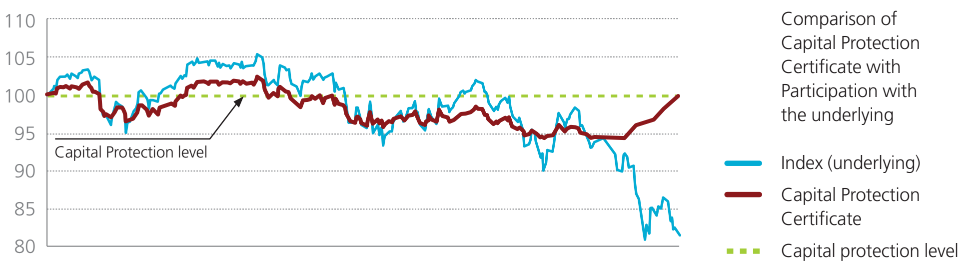
Scenario I:
On expiry, the price of the underlying is up; the certificate participates in the underlying's positive returns to a considerable extent.

Scenario II:
On expiry, the underlying is in minus territory. Thanks to capital protection, the product nevertheless does not decline below of the nominal value.

Scenario I



Scenario II

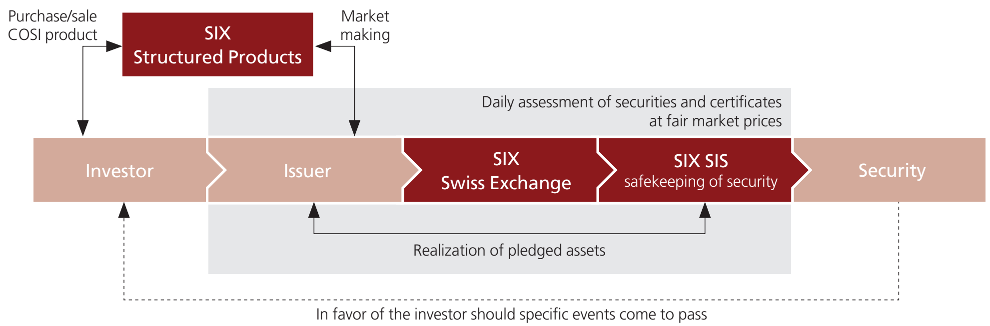


COSI – Collateral Secured Instruments

Since 2009, it has also been possible to use Collateral Secured Instruments (COSI) to protect against issuer risk, and this innovative service has proven itself a suitable response to changing investor needs. The COSI process, which has won awards at both the national and international levels, ensures that the investor's outstanding claims against the issuer of the structured products are suitably secured at all times. This further expands the market, offering investors additional investment opportunities with the best possible protection against issuer risk.
Since the start of 2012, COSI products have gradually become available for foreign issuers, another milestone for the internationalization of this service.

Collateralization through deposits of liquid securities
Legally, structured products are bonds or debt obligations payable by the issuer; this is why the investor bears the risk of issuer default. The new collateral system helps limit the effects of a default. Issuers deposit liquid securities with SIX SIS, a sister company of the Swiss Exchange. Collateralization protects investors against issuer default without affecting investors' market risk. Collateralization is available only for structured products listed on the SIX Swiss Exchange and traded on the SIX Structured Products derivates exchange. Depending on price movements, issuers must supplement the collateral as needed. Should an issuer declare bankruptcy, the deposited assets serve the investor as collateral.

How COSI works



Risk Figure

The SSPA Risk Figure estimates the market risk of a structured product using the Value at Risk (VaR) method. To facilitate ranking, structured products are put in six risk classes, with Class 6 representing maximum, and Class 1 minimum risk. Risk Figures are recalculated and published daily.

Value at Risk – VaR

Value at Risk (VaR) is the finance industry's most widespread method for estimating market risk. The VaR figure answers the question "If I lose, how much could it be?" Example: The VaR states that with 99 % probability any loss on a given investment during a 10-day holding period will not exceed a specific amount.

VaR calculations infer potential loss and its probability by systematic examination of a product's or portfolio's risks factor fluctuations resulting from, among other things, volatility, changes in interest rates and the price of the underlying.

VaR calculations are expressed as a figure, usually a percentage, which can then be applied to the value of the investment. For instance, a 13 % VaR for a structured product tells us that on a CHF 10,000 investment, any loss should not exceed CHF 1,300 under the given scenario.

As a rule, a VaR figure is issued in conjunction with a product's holding period and confidence interval. The holding period states the time frame during which the VaR applies. A ten-day holding period means the product is still being held in ten days' time. The confidence interval indicates the significance of the VaR. For instance, a 99 % confidence interval means the VaR is accurate 99 times out of a 100.

SSPA has introduced the VaR risk figure to increase the transparency of structured products listed in Switzerland. A 250-day time window was chosen as the standard time period. The standard holding period was set at ten days and the standard confidence interval at 99 %. The same parameters are used internationally to calculate VaRs.

To facilitate VaR classification, structured products listed in Switzerland are allocated to one of six risk classes, depending on their VaR figure.

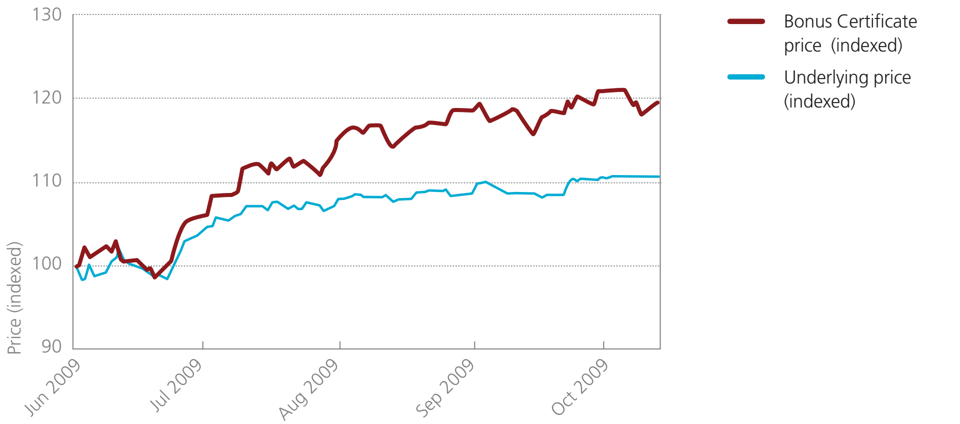
Risk class allocations are reviewed weekly and adjusted as needed to ensure that a product's relative market risk is always readily discernible. This takes into account that the market risks of structured products can change over time.

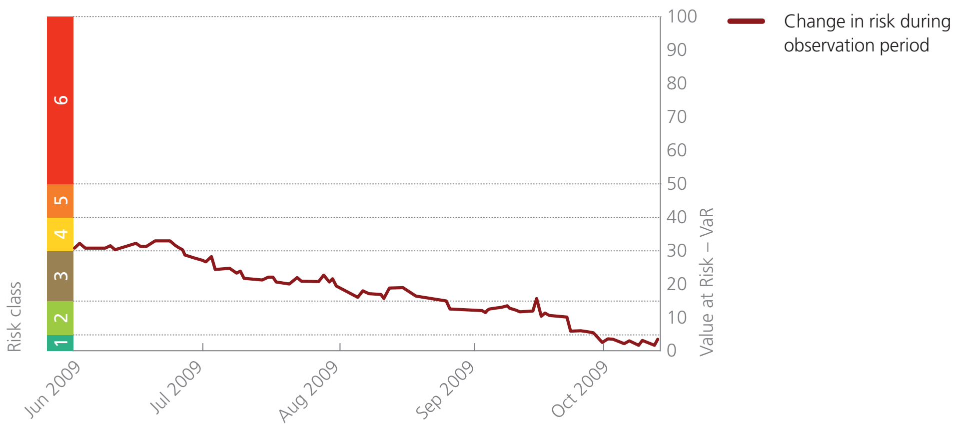
The six SSPA risk classes

Risk class	Risk perception	Comparable to
1	Low	Money market, deposits
2	Moderate	Bonds
3	Medium	Mixed portfolio bonds/shares
4	Increased	Blue chips
5	High	Small/Mid Caps, Emerging Markets
6	Very high	Options, Futures

The graph below shows changes in the risk class of an actual Bonus Certificate over four months, from the relatively high Class 4 to the lowest Class, 1. Our example illustrates the value of ongoing risk preference monitoring.

Risk Figures are recalculated daily after the stock exchange closes and published on the following day before the exchange opens. Risk Figures and SSPA Risk Ratings are available on the SSPA website:
www.sspa-association.ch/riskrating





SSPA Risk Figure Finder
Both the VaR Risk Figure and the Risk Rating of 85 % of all structured products listed on the SIX Structured Products derivatives exchange are listed in the Risk Figure finder on the SSPA website, www.sspa-association.ch/riskrating. You simply enter the symbol, the ISIN or product number, or search for SSPA product type, issuer, risk class or underlying (for multi-assets, also by individual underlyings) in the drop-down menus.

Frequent misunderstandings

Structured products and derivatives are frequently the subject of heated debate. Mistaken assumptions and half-truths abound. To actively break down prejudices, the SSPA has commissioned a first-time study for the Swiss market which scientifically investigates performance and costs and confirms the good performance at reasonable costs. The SSPA would like to briefly outline the most common errors and key findings of the study here.

Comprehensibility
Reservations, ranging from "The products are impossible to understand", to "There's a veritable jumble of product names; each issuer calls his product by a different name" or "You have to be a rocket scientist to understand the termsheet", imply that it takes a professional investor to understand structured products. Nothing could be further from the truth but, as with any kind of investment, some rules should be followed.

There's no way past it: Either the investor or his adviser must acquire a degree of basic knowledge. Often, the initial effort required is overestimated. Issuers have published vast amounts of literature and brochures that help investors to quickly gain a basic overview. In addition, various providers and issuers offer structured product training. The SSPA too, through its knowledge initiative, provides valuable information. A comprehensive structured products overview is available on the SSPA website:
www.sspa-association.ch/knowledge

We cannot overstate the importance of carefully examining a product's termsheet. Regulations issued by Switzerland's Financial Market Supervisory Authority stipulate that termsheets must state clearly and transparently how a product is to be repaid. Most products are easy to understand using their termsheets. Understanding the termsheet is a prerequisite of informed structured product investment. The Swiss Derivative Map contains additional information and a summary of all product types.

Dangerous promises and betting
Judging from utterances such as "The often high coupons fail to disclose true risk and can lead to disappointment", "Capital protection products can be subject to massive price fluctuations; there's no such thing as capital protection" and "You bet against the bank and the bank always wins", you'd think you were in a casino. Nothing could be further from the truth.
The prejudice persists that buying structured products is a bet against the issuing bank. This is plainly wrong. Because the bank has already hedged against price fluctuations, how a structured product develops matters less to the bank. The buyer of a structured product making a profit doesn't imply a loss to the bank. In fact, what motivates the bank is to have satisfied, repeat customers.

However, because a structured product's risk profile may change during the holding period, ongoing monitoring of product and underlying prices is vital.

Fees and commissions
"Hidden charges abound", "Fees are unknown and unspecified", "There are always reinvestment fees due to the limited holding times", "Products are too expensive".

As is the case with all financial products, the more exotic, the higher the fees and commissions (innovation premium); the more common a product, the lower the costs (competitive pressure). Issuers want to be compensated for the cost of marketing and sales, product creation (concept, structuring) and hedging, none of which will be known until the end of a product's lifetime. Detailed costs of the most common categories can be found on the next page in the results of the Structured Products study.

Fair market prices are ensured by the intense competition among issuers. In addition, the SIX Swiss Exchange continuously validates the prices of all listed products by actively monitoring the secondary market and intervenes in the event of mistrades. Various online tools and meta tools for the creation of products also promote competition while making it easier to compare what is on offer. In order to further increase the transparency of costs, as of 1 March 2015 all issuers of structured products will be disclosing the sales fees for their products. The corresponding disclosure obligation was set down in the new "Guidelines for informing investors about structured products" issued by the SSPA in conjunction with the Swiss Bankers Association (SBA). The sales fee is generally shown as a percentage of the issue price and stated in the simplified prospectus for the product in question.

As a result of this statement of fees, investors are aware of the financial incentives accruing to a distributor for selling the product, allowing them to obtain better information about products and issuers. Studies have also shown that the average costs for structured products are lower than those for actively managed investment funds.

First study on structured products demonstrates good performance at reasonable cost

In 2015, on behalf of the Swiss Structured Products Association, the Swiss Finance Institute studied the performance of 20,000 products from 2008 to 2014, as well as 7275 products from 2012 to 2015 to identify the costs of structured products. According to the study, from 2012 to 2014 over 80 % of the structured products generated profitable returns under normal market conditions, with average returns of 5 % and 15 % per year.

Performance

In the period from 2012 to 2014, some 80 % of the structured products generated positive returns averaging between 5 % and 15 % p. a. under normal market conditions. 2009 proved to be particularly successful, with average returns of 19 % to 31 %.

The (heavy) losses suffered by the equity markets in 2008 (onset of last global financial crisis) and 2011 (European debt crisis) that also affected the – mostly equity-based – structured products that make up the study's sample were reflected in negative average returns. Capital protected products were however less affected by market movements.

Median returns p. a. per product category:	2008	2009	2010	2011	2012	2013	2014
Barrier Reverse Convertibles	-42 %	31 %	9 %	-6 %	10 %	7 %	4 %
Bonus Certificates	-43 %	19 %	4 %	-8 %	15 %	16 %	9 %
Capital Protection Certificates (with participation)	-7 %	5 %	0 %	-2 %	3 %	4 %	4 %
Certificats discount	-31 %	23 %	9 %	-1 %	12 %	10 %	5 %
Discount Certificates	-43 %	24 %	9 %	-16 %	10 %	15 %	6 %

Costs

According to the study, the costs for investors at issuance of the most popular structured products ranged between 0.3 % and 1.7 % p.a. per product category. The study therefore clarifies cost aspects of structured products and allows a comparison of costs against funds and ETFs.

The costs, or so-called Total Expense Ratio (TER)[1], equal the sum of the net margin and all production and distribution fees. Since March 2015, distribution fees must be disclosed by all issuers in the Swiss simplified prospectus.

The rounded average median TERs for the period from April 2012 to April 2015 are as follows:

Product category	Tracker Certificates	Capital Protection Certificates	Bonus Certificates	Discount Certificates	Barrier Reverse Convertibles
Median TER	0.3 % p. a.	0.6 % p. a.	1.0 % p. a.	1.4 % p. a.	1.7 % p. a.

Investments

Swiss investors show great interest in Barrier Reverse Convertibles on shares, Tracker Certificates and Capital Protection Certificates. Investors in other countries have different preferences about the underlying value and payment promises. Behavioral motives appear to play a key role in investment decisions. The study includes case studies that not only focus on potential return expectations, but also show that the views of investors are a crucial factor for sound (non-)investment decisions. The decision of Swiss National Bank (SNB) of January and the announcement of a quantitative easing scheme in the Eurozone early in the year has given rise to investment opportunities such as high-dividend-paying EUR shares at a discount of 15 %, or Barrier Reverse Convertibles with low barriers and a coupon rate of 1 % to 2 %.

[1] The authors of the study refer to the difference between the issuance price and the fair price of the components as the total expense ratio (TER). Investors are thereby informed, in a useful manner, about the costs of structured products, which are shown to be comparable to corresponding figures for other products. The figure however does not correspond to the issuer margin or the sum of the issuer margin and distribution and structuring fees. The expected issuer margin (profit) is lower and can only be determined at the maturity of the product as many cost components can only definitely be fixed at that point; they can, in fact, turn out be higher than the TER presented in this study. Out of the TER as defined in this study, the issuer has to pay all costs for structuring (staff, technology, know-how), for documentation (brochure), for funding/own funds, for training and for the counselling of investors, for sales (advertising, sales agents), for the listing on a stock exchange, for the prices quoted in the secondary market, etc.

Investor checklist

Before investing in structured products, investors should have the answers to these questions:

- ☐ How do you expect the market to perform in general and as regards specific underlyings?
- ☐ Are you familiar with the underlying and its past performance?
- ☐ How should the underlying develop to produce a profit?
- ☐ Do you know the market scenarios that would result in a loss?
- ☐ Do you know the product issuer and associated risk?
- ☐ Is the product within the limits of your risk profile?
- ☐ Have you absorbed all of the product’s relevant information?

The Association

Portrait and goals

Established 4 April, 2006, the Swiss Structured Products Association represents and maintains the shared interests of Swiss issuers of structured products without engaging in any commercial activity itself. The active members of SSPA account together for 95% of Switzerland's structured products market. Legal and natural persons who support the SSPA's goals may apply for passive membership.

The SSPA represents the interests of major market participants, which together account for more than 95% of Switzerland's structured product market. The SSPA wants to increase its attractiveness and clout by extending its reach as an inter-branch organization. It strives to further the interests of the entire value chain of issuers, buy side and partners by establishing the widest possible support in the market. This strategy will be actively pursued with the involvement of new members.

Switzerland is the world's principal structured products market. The share of structured products in assets with Swiss banks is now approx. CHF 190 billion. Supply and demand of structured products have grown significantly in recent years, which has led to the appearance of many new products. The Swiss market is known for high innovation and a considerable trading volume. The latest market statistics are available from the monthly SSPA market report published on the SSPA website:
www.sspa-association.ch/marketreports

One of the SSPA's goals is to help create a favorable long-term climate for structured products in the Swiss financial center. To ensure its continued influence, the SSPA strives to be the market's initial and fair point of contact.

Bodies

The Association has three bodies, the Delegate Meeting, the Committee, and the Business Office.

Each active SSPA member nominates two delegates. Delegates meet annually at ordinary Delegate Meetings and elect the members of the SSPA Committee, with each active SSPA member having one vote. Passive members may attend Delegate Meetings, but have no vote.

Structured products and the Swiss financial center

Regulation

Structured products are extensively regulated in Switzerland. They require a Swiss bank, insurance company, securities trader, or a similarly regulated foreign institute to issue, guarantee and sell them.

Significance for the financial center

Switzerland has become a sales center of non-traditional investments such as hedge funds, private equity and commodities, which are generated largely in financial centers such as London and New York.

On the other hand, structured products, whose sale and development take place mainly in Switzerland, are an important innovative force for the Swiss financial center.

The importance of structured products in the Swiss financial center

Great potential	Structured products are a relatively young investment class whose growth in recent years is likely to continue
Innovative force	Structured products drive asset management innovation and boost the attractiveness of the Swiss financial center at the same time
Know-how a must	Structured products create high-quality jobs in Switzerland
The Swiss capital market	Structured products create liquidity in the Swiss capital market (own resources and external funds for Swiss companies)

Accomplishments of the SSPA

- Widely accepted initial contact regarding structured products in Switzerland
- Generally applicable product classification; Swiss Derivative Map
- Establishment of the European umbrella organization EUSIPA
- Definition of industry-wide standards
- Weekly publication of updated Association member credit ratings and credit spreads
- Introduction of a risk classification
- Helped inspire COSI collateral-secured investments
- The SSPA Knowledge Initiative
- Publication of widely accepted reference work "The World of Structured Products" (in German)
- Introductory brochure "Investing Successfully in Structured Products"
- The Online Knowledge Test
- Launching the "Discover the potential" communications offensive in order to increase awareness of the untapped potential of structured products
- Launch of a factsheet that summarizes the most important information about structured products in a compact format
- Publication of the first comprehensive and representative study of structured products on the Swiss market, showing good performance at a reasonable cost.

More information about the SSPA publications and the study can be found at
www.sspa-association.ch/knowledge

Transparency, knowledge and education in the spotlight

Since its inception, SSPA has aimed to promote and strengthen knowledge and understanding of structured products for the interested public and investors. To this end, the Association regularly publishes background information in a range of formats. Starting with a factsheet which offers a short and compact summary of the most important facts relating to structured products, through to this "Vademecum" as a thematic introduction and up to a comprehensive reference work, the book "The World of Structured Products". What's more, the SSPA has launched an Online Knowledge Test. This allows potential investors to check their knowledge of structured products and receive feedback on their current level of information.

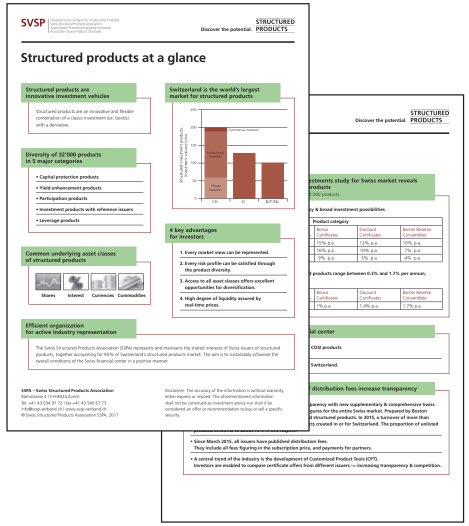
As part of the continuous expansion of information services, the Association has launched an interactive information program on its website and has created knowledge videos that further facilitate the entry into the world of structured products. The information tool for knowledge creation is very user-friendly, focuses on three types of products and presents information in an easily understandable language, avoiding typical financial jargon. The SSPA will continue its involvement in providing education and information related to structured products, because only informed investors are satisfied investors.

The SSPA will achieve another milestone with regard to the transparency and clarity of structured products with the publication of the first comprehensive and representative study for the Swiss market that aims at closing an information gap and actively counters prejudices. It is also scientifically proven that structured products are promising investment opportunities in the current environment that thanks to their flexibility offer good performance at a reasonable cost.

Factsheet:
"Structured Products at a Glance"

The SSPA has summarized the most important information about structured products in a factsheet. It expands and complements the existing range of information from the Leporello, "Vademecum" and Structured Products book. Those less familiar with the topic, however, such as interested investors and politicians who deal professionally with the matter, now have an easy tool that bundles relevant information on structured products in a clear manner.

The factsheet in full is included as a supplement.



SSPA Committee

The six members of the Committee are elected from the ranks of active members to a two-year term of office.

Georg von Wattenwyl
President
Head of Advisory & Distribution
Financial Products
Vontobel Investment Banking
Bank Vontobel AG

Adrian Steinherr
Member of the Committee
Co-Head Equity Derivatives
Distribution & Leiter Derivatives
Sales Trading Switzerland
UBS AG

Thomas Schmidlin
Vice President
Head of Structured Flow Switzerland
Credit Suisse

David Schmid
Member of the Committee
Head of Investment & Banking
Solutions
Leonteq Securities AG

Valentin Vonder Mühll
Member of the Committee
Head Structured Products Trading
Bank Julius Baer & Co. Ltd

Sylveline Besson
Member of the Committee
Global Head of Structured Products
CA Indosuez Wealth Management

Business Office

The Committee recruits the Business Office staff to handle day-to-day affairs. Part-time sector heads are in charge of the Office's three activity sectors.

Jürg Stähelin
Executive Director
juerg.staehelin@svsp-verband.ch

Peter Keller
Director Operations & Standards
peter.keller@svsp-verband.ch

Daniel Haeberli
Director Legal & Regulation
daniel.haeberli@homburger.ch

SSPA Membership

As a broad-based trade association that covers the entire value chain, SSPA strives to comprehensively represent the industry and strengthen the financial market as a whole. A special focus is on the buy side, including banks, asset managers and B2B intermediaries. Membership of the SSPA can be understood as a "seal of approval" that brings added value. Currently, the SSPA has 34 members.

Aargauische Kantonalbank
Baker McKenzie.
BARCLAYS CAPITAL
BCV
Bloomberg
BNP PARIBAS
INDOSUEZ WEALTH MANAGEMENT
COMMERZBANK
cornèr
CREDIT SUISSE
Deutsche Bank X-markets
dp derivativepartners
Goldman Sachs
ITG.
J. SAFRA SARASIN
Julius Bär
Kepler Cheuvreux
LEONTEQ
LOMBARD ODIER
NATIXIS
NIEDERER KRAFT & FREY
numerix
PICARD ANGST
PICTET
pwc
RAIFFEISEN
smarthouse
SOCIETE GENERALE Corporate & Investment Banking
SIX STRUCTURED PRODUCTS
swissQuant Mastering Complexity
UBP Union Bancaire Privée
UBS
Vontobel
Zürcher Kantonalbank

SVSP Schweizerischer Verband für Strukturierte Produkte
Swiss Structured Products Association
Associazione Svizzera per prodotti strutturati
Association Suisse Produits Structurés

Discover the potential.
STRUCTURED PRODUCTS

Structured products at a glance

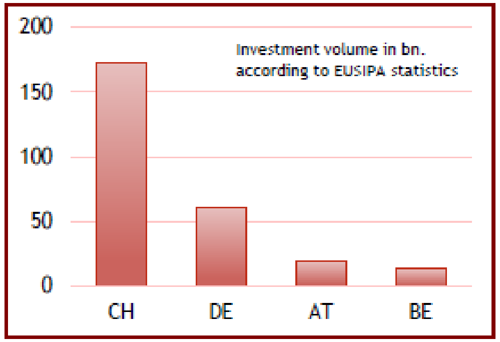
Structured products are innovative investment vehicles

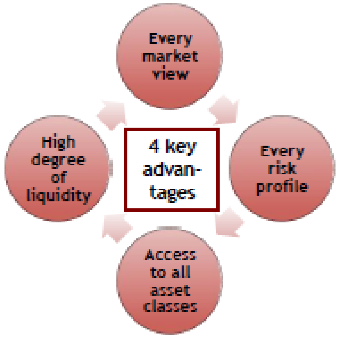
Structured products are an innovative and flexible combination of a classic investment (ex. shares or bonds) with a derivative.

Diversity of about 32'000 products in 5 major categories

- Capital protection products
- Yield enhancement products
- Participation products
- Investment products with reference issuers
- Leverage products

Switzerland: the world's largest market for structured products





Common underlying asset classes of structured products

- Shares
- Interests
- Currencies
- Commodities

Innovation and significance for the Swiss financial center

- Value creation taking account of listed as well as unlisted products created in or for Switzerland amounted in 2016 more than CHF 226 billion.
- Protection of more than 3'000 highly qualified jobs in Switzerland.

Efficient organization for active industry representation

The Swiss Structured Products Association SSPA represents the entire value chain with 32 members - issuers, buy side, markets and partners - and maintains the shared interests of most important players in the industry, together accounting for 95% of Switzerland's structured products market.

SSPA - Swiss Structured Products Association
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info@svsp-verband.ch I www.svsp-verband.ch

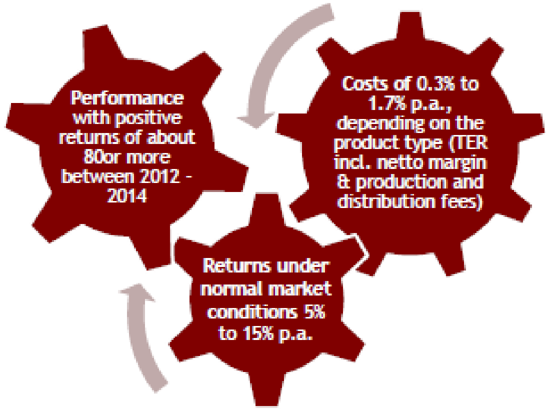
SVSP Schweizerischer Verband für Strukturierte Produkte
Swiss Structured Products Association
Associazione Svizzera per prodotti strutturati
Association Suisse Produits Structurés

Discover the potential.
STRUCTURED PRODUCTS

Increased transparency

- Value creation report since 2016: covers listed as well as unlisted structured products created in or for Switzerland that are sold nationally as well as internationally. Annual turnover: more than CHF 226 bn.
- Since March 2015, all issuers have published distribution fees. They include all fees figuring in the subscription price, and payments for partners. They are indicated as a percentage of the nominal amount per year.
- A central trend of the industry is the development of Customized Product Tools. Metaplatforms of different issuers allow central definition of product categories and easy comparison of certificate offers.

Solid performance at low costs



- First comprehensive performance, costs and investments study for Swiss market reveals scientifically good performance and low costs of structured products as well as efficiency & broad investment possibilities.
- Conducted by the Swiss Finance Institute analyzing more than 20'000 products.

Comprehensive education and knowledge transfer

«SP Portfolio Optimizer»
Since February 2017, the tailor-made app shows investors & client advisors the added value of structured products in their portfolio. Possible simulation of different model portfolios & market scenarios.

Knowledge initiative
Information & education via publication of the book «The world of structured products», online knowledge tests, interactive infotools & educational films and«InvesTalks», roadshows for retail investors.

«Swiss Derivative Map»
Launched in 2006, the «Swiss Derivative Map» has become an industry standard due to ist uniform classification of all structured products traded at SIX (in 4 main & 14 sub-categories).

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The accuracy of the information contained in this brochure, including information obtained from third parties, is without warranty, either express or implied. While the SSPA has taken every reasonable precaution to ensure the information's reliability, it cannot guarantee that the information and details contained in this brochure are complete, accurate or up to date. The aforementioned information shall not be construed as investment advice nor shall it be considered an offer or recommendation to buy or sell a specific security.

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