



Principles. *Voluntary Undertaking*

published by the members of the European
Structured Investment Products Association
as drafting guidelines for the issuance of
Structured Investment Products.



Principles.

Content

- 03 Preamble
- 04 Issuer
- 05 Underlying
- 06 Product
- 07 Trading
- 08 Price
- 09 Education
- 10 Compliance

Principles.

Preamble

Structured Investment Products are generally prepackaged investments which offer investors a predefined redemption profile.

Structured Investment Products offer a certain risk-return profile based on a specific underlying. By utilizing Structured Investment Products investors can optimize and diversify their portfolio, enhance returns and/or reduce risk and volatility. The products let investors access almost every type of asset class: stocks, commodities, currencies and interest rates, including market indices and predefined investment strategies relating to such assets.

Structured Investment Products offer retail investors different levels of exposure to market risk, ranging from products that come with capital protection to products that offer leverage. The members of the European Structured Investment Products Association (EUSIPA) have decided to adopt these Principles as a voluntary regulation governing their member's business conduct when issuing Structured Investment Products. The Principles are a set of rules with which member associations ("EUSIPA Members") endeavour to elaborate rules of conduct for members ("Issuers"), ensuring

that the guidelines stipulated in these Principles are adhered to in their respective market places. This does not apply where the national laws or regulations in the jurisdiction of a member association stipulate similar rules of conduct or prohibit the adherence to these Principles. Based on the applicable statutory regulations, these Principles stipulate rules of ethics for responsible conduct with regard to Structured Investment Products offered publicly to retail investors. They provide investors and financial intermediaries with a greater degree of transparency and information, and they also promote market efficiency.

Reliable issuer information and understanding among private investors are needed to ensure these innovative assets are used wisely and optimally. These Principles aim to promote an informed approach to investing in Structured Investment Products. All relevant information about the Structured Investment Products to which these Principles apply is available to private investors in an easily accessible manner, such as online via websites.

Principles.

Issuer

The Issuer's credit risk is always communicated openly.

Structured Investment Products always entail a credit risk for private investors. The latest up-to-date information shall be presented in a securities prospectus about the Issuer or publicly available via relevant channels. The Issuer's ratings and any rating adjustments as well as the guarantor or credit support provider shall be made available in appropriate and comprehensible form in a central website on the internet.

Principles.

Underlying Instrument

The underlying is presented transparently.

Structured Investment Products relate to existing underlying instruments or underlyings that have been specifically created. The underlyings shall always be clearly identified. Payout amounts shall be calculated on the basis of comprehensible reference prices on liquid markets to the extent that is possible.

If information extending beyond statutory requirements is made available with regard to an underlying, only sources that are judged to be reliable and suitable for forming an independent and proper opinion shall be used or referenced. If underlying instruments are created specifically to issue a Structured Investment Product (baskets, indices, etc.), the information about these instruments presented on the internet or on request shall be clear and up-to-date.

Principles. *Product*

Information must ensure product clarity.

The many ways in which Structured Investment Products can be combined lead to considerable product diversity and complexity. For private investors, this creates a need for extensive information. Issuers shall provide balanced and comprehensible information. They shall present additional details, in particular product descriptions to facilitate better understanding of Structured Investment Products. The opportunities and risks of different scenarios shall be presented using fair and transparent comparisons and without generating misleading performance expectations.

Statements about return and risk potential shall be transparent, done with the best standard practice and facilitate comparison with other products. Model calculations shall be auditable, and they may be examined by supervisory authorities at anytime. In order to allow investors to compare products of different national origin, Issuers shall use the EUSIPA categorisation or its respective national version. Issuers shall

support making the individual risk components (for example, and if relevant, the price risk of the underlying, VAR, volatility risk and credit risk) transparent for private investors. To ensure that all private investors have equal access to information, Issuers shall make security prospectuses, brochures and other marketing material available free of charge on the internet, where they can be accessed easily.

They shall enable investors to track the performance of an individual Structured Investment Product and the relevant underlying (provided the information on this underlying is available) on the internet by presenting charts that begin on the issue date. Issuers shall answer questions on the nature and functions of their structured investment products and thereby promote dialogue with private investors. When issuing new types of Structured Investment Products for the first time, Issuers shall use class descriptions already established in the market.

Principles. *Trading*

Issuers ensure that their Structured Investment Products are tradable.

Private investors can only take advantage of their investments in Structured Investment Products if these are tradable and can, above all, be sold again. Issuers shall trade their Structured Investment Products in the secondary market themselves or shall appoint a third party to act as market maker. They shall announce trading sessions in advance.

They shall thereby create a liquid market and shall enable investors to trade a specific Structured Investment Product under normal market conditions, except if the security prospectus specifically states otherwise. Issuers shall publish indicative current bid and offer prices on the internet and, where appropriate, state the volume level for the price quoted. They shall immediately give notice of any changes and restrictions. Outside the regular trading sessions of the underlying instruments, such as for example indices or individual stocks, Issuers shall quote prices based on current developments and market correlations. Issuers shall ensure that conditions

comparable to those obtained during exchange trading sessions also exist for off-market trading. They shall endeavour to standardise mistrade rules.

In the event of market disturbances or other exceptional circumstances, Issuers may suspend trading in their Structured Investment Products. However, they shall use their best efforts to ensure that trading can be resumed as soon as possible and, if necessary and possible, establish telephone trading facilities to established counterparties to ensure an efficient order routing process, especially in case of technical disturbances. This applies especially in the case of a failure of the technical systems of an Issuer and its appointed service providers. Issuers shall support data providers in disclosing market data.

Principles.

Price

Structured Investment Products are offered at prices that are fair in relation to the product structure and market situation.

When determining prices, Issuers shall take the complexity of products into account. Pricing shall take place in free competition between issuers in compliance with the criteria of modern financial markets theory and shall be based on a range of factors. Issuers shall provide investors, in a fair and balanced manner, with information about the relevant product price behavior. As the case may be, commissions might be paid to third parties for services associated with the distribution of Structured Investment Products. Issuers shall disclose to retail investors that such commissions may be paid.

Principles.

Education Measures

Issuers contribute to a better understanding of Structured Investment Products through financial education.

The importance of financial education has been acknowledged both globally and at the EU level. This is a precondition to preventing mis-selling and mis-buying. Issuers shall provide investors and distributors with education material on both individual products and Structured Investment Products generally. Such material may be published on the internet or in printed form, such as in magazines or brochures. Issuers shall strive to organise seminars for distributors and investors, either independently or in cooperation with external partners.

Principles. *Compliance*

Issuers undertake to observe the rules of conduct established on the basis of these Principles at all times.

General acceptance of these Principles and of the rules of conduct established by EUSIPA's Members on the basis of these Principles depends on regular reviews and updates. Issuer internal organisations shall comply with all applicable legal requirements.

Issuers shall adopt suitable organisational measures to settle conflicts of interest, such as with respect to market making. In particular, they shall draw up internal rules that define the circumstances under which their employees are barred from buying Structured Investment Products themselves. Compliance with these Principles via the conduct rules established by EUSIPA's Members is verified regularly. In addition, the Principles are revised at regular intervals to reflect changes in national and international market conditions. The EUSIPA Principles came into effect on 01 May 2011.

*European
Structured
Investment
Products
Association*

Bastion Tower Level 20
Place du Champ de Mars 5
B-1050 Brussels, Belgium

Phone +32 (0) 2 550 34 15
www.eusipa.org

EUSIPA is a registered international association established under Belgian law (aisbl/ivzw).

The association has subscribed to the transparency register of the European Union and is listed under number 37 48 83 45 650 - 13.