

This Programme is dated as of 6 October 2014



## **LEONTEQ SECURITIES AG**

*(Incorporated in Switzerland)*

### **Derivative Programme**

optionally guaranteed by

**the Guarantor as specified in the respective Guarantee Annex (the "Guarantee Annex"), if any**

Under the terms of its Derivative Programme (the "**Programme**"), Leonteq Securities AG, which may also be acting through its Guernsey branch (both the Swiss headoffice and the Guernsey branch the "**Issuer**" or "**Leonteq Securities AG**") may issue structured products and warrants in securitized or uncertificated form (the "**Products**").

The Products may include, but not be limited to, warrants (the "**Warrants**") and structured products (the "**Structured Products**"). The Structured Products may include certificates (the "**Certificates**"), notes (the "**Notes**"), reverse convertibles (the "**Reverse Convertibles**") or any other form of structured products based on any kind of underlying, including but not limited to shares, depositary receipts, indices, currencies, interest rates, commodities and baskets thereof or a combination thereof.

The Products will be issued based (i) on the information set out in this Programme, including the General Terms and Conditions (the "**General Terms and Conditions**"), as amended from time to time, and (ii) on the relevant final termsheet of each Product (the "**Final Termsheet**"), together they form the product documentation ("**Product Documentation**"). The Programme and the relevant Final Termsheet shall form the entire documentation for each Product and should always be read in conjunction with each other. In case of inconsistencies between the General Terms and Conditions and the Final Termsheet, the Final Termsheet shall prevail.

The Products are only guaranteed if the Final Termsheet and the relevant Guarantee Annex expressly indicates a Guarantor. The Issuer determines to include a Guarantor, if any, in this Programme by the relevant Guarantee Annex. If the Issuer decides to include a Guarantor during the term of this Programme the Issuer will publish an addendum as required by SIX regulations and in accordance with the terms stated in this Programme. **Possible statements in the Product Documentation relating to the Guarantor are therefore not applicable as long as no Guarantor has been appointed for the Product.**

**Prospective Investors (as defined in section "Risk Factors" hereafter) should ensure that they understand the nature of the relevant Products and the extent of their exposure to risks and they should consider the suitability of the relevant Products as an investment in the light of their own circumstances and financial condition. Products involve a high degree of risk, including the potential risk of expiring worthless. Potential Investors should be prepared in certain circumstances to sustain a total loss of the capital invested to purchase Products. See section "Risk Factors" herein and any additional risk factors as set out in the relevant Final Termsheet.**

**Lead Manager  
Leonteq Securities AG**

The SIX Swiss Exchange (the "SIX Swiss Exchange" or "SIX") has approved this Programme as of 6 October 2014 as an issuance programme pursuant to art. 22 of the SIX Additional Rules for the Listing of Derivatives for the purpose of giving certain information with regard to the Issuer, the Guarantor, the General Terms and Conditions applying to the Products and certain other issues in connection with the issuance of Products under the Programme. Where Products are listed, this Programme, as amended or supplemented, together with the relevant Final Termsheet comprise the listing prospectus pursuant to art. 21(3) of the SIX Additional Rules for the Listing of Derivatives.

The Issuer and Guarantor accept responsibility for the information contained in this Programme. The Issuer and Guarantor declare that the information contained in this Programme is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

No person is authorized to give any information or to make any representation not contained in or not consistent with this Programme, an applicable Final Termsheet or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorized or made by all or any of the Issuer, the Guarantor, the Lead Manager or the Calculation Agent (as described in the applicable Final Termsheet).

The Issuer, the Guarantor, the Lead Manager or any affiliates of any of them may hold, retain, buy or sell the Underlying (as defined in the General Terms and Conditions) and may hold, retain, buy or sell the Products of each issue and/or enter into transactions relating thereto or derived therefrom, in such amounts, with such purchasers and/or counterparties and at such prices (including at different prices) and on such terms as any such entity may determine as part of its business and/or any hedging transactions in connection with the arrangements described in this Programme or otherwise. There is no obligation upon the Issuer and/or the Lead Manager to sell all of the Products of any issue. The Products of any issue may be offered or sold in one or more transactions in the over-the-counter market or otherwise at prevailing market prices or in negotiated transactions, at the discretion of the Issuer and/or the Lead Manager, as the case may be, subject as provided above.

Neither this Programme nor any other information supplied in connection with the Programme (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Guarantor, the Lead Manager or the Calculation Agent that any recipient of this Programme (or any other information supplied in connection with the Programme) should purchase any Products. Each Potential Investor contemplating purchasing any Products should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer and the Guarantor. Potential Investors should review, *inter alia*, the most recently published annual report and accounts of the Issuer and the Guarantor when deciding whether or not to purchase any Products.

Neither this Programme nor any other information supplied in connection with the Programme constitutes an offer or an invitation by or on behalf of the Issuer, the Guarantor, the Lead Manager or any person to subscribe for or to purchase any Products. The delivery of this Programme does not at any time imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Lead Manager does not undertake to review the financial condition or affairs of the Issuer and/or the Guarantor during the life of the Programme.

The offering or sale of the Products in certain jurisdictions may be restricted by law. Persons, who obtain possession of the Product Documentation, are required to inform themselves about and to adhere to any such restrictions which are set out in more detail in the relevant Final Termsheet. The Product Documentation does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

The Products are derivative financial instruments which do not qualify as units of a collective investment scheme according to the relevant provisions of the Swiss Federal Act on Collective Investment Schemes ("CISA"), as amended, and are not registered thereunder. Therefore, the Products are neither governed by the CISA nor supervised by the Swiss Financial Market Supervisory Authority ("FINMA"). Accordingly, Investors do not have the benefit of the specific Investor protection provided under the CISA.

Unless specified otherwise, Investors are exposed to the credit risk of the Issuer and the Guarantor of the Products. The Products constitute unsubordinated and unsecured obligations of the Issuer and/or the Guarantor and rank *pari passu* with each and all other current and future unsubordinated and unsecured obligations of the Issuer and/or the Guarantor. The insolvency of each of the Issuer and the Guarantor may lead to a partial or total loss of the invested capital.

Collateralization, as further described in sections "Collateral Secured Instruments (COSI)" and "Triparty Collateral Management Secured Structured Products (TCM)" herein, eliminates the credit risk of the Issuer only to the extent that the proceeds from the liquidation of collateral upon occurrence of a Liquidation Event (less the costs of liquidation and payout) meet the Investors' claims. The Investor bears the following risk, among others: the market risk associated with the collateral results in insufficient liquidation proceeds or, in extreme circumstances, the collateral might lose its value entirely prior to the liquidation can take place. The costs for the COSI service provided by SIX Swiss Exchange resp. for the TCM service provided by SIX SIS AG with respect to the collateralization of the Products may be taken into account for the pricing of a specific Product and may therefore be borne by the Investors. With regard to the payment of the pro-rata share of the net liquidation proceeds the Investor shall bear the solvency risks of SIX Swiss Exchange resp. SIX SIS AG and the financial intermediaries along the payout chain. The payment to the Investors may be delayed for factual or legal reasons. To the extent the calculation of the current value of Products proves to be incorrect, the collateralization of the Products may be insufficient.

During the whole term of the Products, the Product Documentation can be ordered free of charge from the Lead Manager at Brandschenkestrasse 90, Postfach 1686, 8027 Zurich, Switzerland, via telephone +41 58 800 1000, fax +41 58 800 1010 or via e-mail [termsheet@leonteq.com](mailto:termsheet@leonteq.com).

## CONTENTS

I	RISK FACTORS .....	6
II	GENERAL TERMS AND CONDITIONS.....	22
III	COLLATERAL SECURED INSTRUMENTS (COSI).....	64
IV	TRIPARTY COLLATERAL MANAGEMENT SECURED STRUCTURED PRODUCTS (TCM) .....	70
V	ORGANISATIONAL CHART OF LEONTEQ GROUP .....	74
VI	LEONTEQ SECURITIES AG .....	75
VII	GUARANTEE .....	79
VIII	OFFERING AND SALE.....	80
IX	TAXATION.....	85
X	GENERAL INFORMATION.....	90
XI	RESPONSIBILITY .....	92

## I RISK FACTORS

*Certain capitalized terms used in this section are defined in the General Terms and Conditions and/or the relevant Final Termsheet.*

*An investment in the Products involves certain risks. If one or more of the risks described below occur, potential investors in the Products (the "**Potential Investors**") may incur a partial or even a total loss of their invested capital. Potential Investors should carefully consider the following factors prior to investing in the Products.*

*Investment decisions should **not** be made solely on the basis of the risk warnings set out in the Product Documentation, since such information cannot serve as a substitute for individual advice and information which is tailored to the requirements, objectives, experience, knowledge and circumstances of each Potential Investor individually.*

### 1. GENERAL RISK FACTORS

#### 1.1 Advice from your Principal Bank

This information is not intended to replace the advice Potential Investors should always obtain from their respective principal bank or any other financial advisor before making a decision to invest in the Products. Only Potential Investors who are fully aware of the risks associated with the investment in the Products and who are financially able to bear any losses that may arise, should consider engaging in transactions of this type.

#### 1.2 Buying Products on Credit

Potential Investors financing the purchase of Products with loans should note that, should their expectations fail to materialize, they would not only have to bear the loss resulting from the investment in the Products, but also have to pay interest on the loan as well as repay the principal amount. It is therefore imperative that Potential Investors verify their financial resources in advance in order to determine whether they would be able to pay the interest and repay the loan at short notice should they incur losses instead of realizing the anticipated profit.

#### 1.3 Independent Review and Advice

Prior to entering into a transaction, Potential Investors should consult their own legal, regulatory, tax, financial, and accounting advisors to the extent they consider necessary, and make their own investment, hedging, and trading decisions (including decisions regarding the suitability of an investment in the Products) based upon their own independent review and judgment and advice from those advisers they consider necessary.

Furthermore, Potential Investors should conduct such independent investigation and analysis regarding the Issuer and all other relevant persons or entities and such market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Products. However, as part of such independent investigation and analysis, Potential Investors should consider carefully all the information set forth in the Product Documentation.

Investment in the Products may involve a loss of the capital invested by virtue of the terms and conditions of the Products even where there is no default or insolvency by the Issuer and/or Guarantor. Potential Investors will at all times be solely responsible for making their own independent appraisal of, and investigation into, the business, financial condition, prospects, creditworthiness, status, and affairs of the Issuer and the Guarantor, respectively. None of the Issuer, the Guarantor, the Lead Manager, the Paying Agent, the Calculation Agent, or any other agent nor any affiliate of any of them (or any person or entity on their behalf) will have any responsibility or duty to make any such investigations, to keep any such matters under review, to provide the Potential Investors with any information in relation to such matters or to advise as to the accompanying risks.

#### **1.4 Investor Suitability**

The purchase of the Products involves substantial risks. Potential Investors should be familiar with instruments having the characteristics of the Products and should fully understand the terms and conditions set out in the Product Documentation and the nature and extent of their exposure to risk of loss.

In addition, Potential Investors must determine, based on their own independent review and such legal, business, tax, and other advice as they deem appropriate under the circumstances, that the acquisition of the Products (i) is fully consistent with their financial needs, objectives, and conditions, (ii) complies and is fully consistent with all constituent documents, investment policies, guidelines, authorisations, and restrictions (including as to their capacity) applicable to them, (iii) has been duly approved in accordance with all applicable laws and procedures and (iv) is a fit, proper, and suitable investment for them.

#### **1.5 Changes in Tax Law and Tax Call**

The tax considerations set forth in the Product Documentation reflect the view of the Issuer based on the legislation applicable at the date of issuance of the Product Documentation. It cannot, however, be ruled out that the tax treatment by the tax authorities and courts could be interpreted differently or could be subject to changes in the future. Additionally, the tax considerations set forth herein may not be used as the sole basis for the decision to invest in the Products from a tax perspective, since the individual situation of each Potential Investor must also be taken into account. Thus, the considerations regarding taxation contained in the Product Documentation do not constitute any sort of material information or tax advice nor are they in any way to be construed as a representation or warranty with respect to specific tax consequences.

In accordance with the terms and conditions set out in the General Terms and Conditions, the Issuer may redeem all outstanding Products early, inter alia, for tax reasons. Accordingly, Potential Investors should consult their personal tax advisors before making any decision to purchase the Products and must be aware of and be prepared to bear the risk of a potential early redemption due to tax reasons. The Issuer, the Guarantor and/or the Lead Manager and their affiliates do not accept any liability for adverse tax consequences of an investment in the Products.

## **1.6 Effect of Ancillary Costs**

Commissions and other transaction costs incurred in connection with the purchase or sale of Products may result in charges, particularly in combination with a low order value, which can substantially reduce any redemption amount. Before acquiring Products, Potential Investors should therefore inform themselves of all costs incurred with the purchase or sale of the Product, including any costs charged by their custodian banks upon purchase and redemption of the Products.

## **1.7 No Reliance**

The Issuer, the Guarantor and/or the Lead Manager and all of their affiliates, respectively, disclaim any responsibility to advise Potential Investors of the risks and investment considerations associated with the purchase of the Products as they may exist at the date hereof or hereafter.

## **1.8 Legality of Purchase**

The Issuer and/or the Guarantor and/or the Lead Manager respectively their affiliates have no and assume no responsibility for (i) the lawfulness of the acquisition of the Products by Potential Investors or for (ii) the compliance by Potential Investors with any law, regulation or regulatory policy applicable to them.

## **2. MARKET RISK FACTORS**

### **2.1 General Market Risks**

Changes in interest and foreign exchange rates, financial instruments and real estate valuations and increases in volatility can increase credit and market risks and may also affect revenues for potential investors.

Concerns about geopolitical developments, oil prices, and natural disasters, among other things, can affect the global financial markets. Accounting and corporate governance scandals in recent years have had a significant effect on Investor confidence.

### **2.2 No Liquidity or lack of Secondary Market in the Products**

As the Products might not be listed or traded on any exchange, pricing information regarding the Products may be more difficult to obtain and the liquidity of the Products may be adversely affected. The liquidity of the Products may also be affected by restrictions on the purchase and sale of the Products in some jurisdictions.

The Issuer and/or the Lead Manager or any third party appointed by the Issuer, as applicable, intend, under normal market conditions, to provide bid and offer prices for the Products on a regular basis. However, the Issuer or the Lead Manager, as applicable, make no firm commitment to provide liquidity by means of bid and offer prices for the Products, and assume no legal obligation to quote any such prices or with respect to the level or determination of such prices. **Potential Investors of Products listed on SIX Swiss Exchange should be aware that**

**SIX Swiss Exchange generally does not require a mandatory market making for Products listed on SIX Swiss Exchange;** limited exemptions apply for e.g. actively managed certificates or COSI Products, as required by SIX regulations. Potential Investors therefore cannot rely on the ability to sell Products at a specific time or at a specific price even if the Products are listed or traded on an exchange. Additionally, the Issuer has the right (but no obligation) to purchase Products at any time and at any price in the open market or by tender or private agreement. Any Products so purchased may be held or resold or surrendered for cancellation.

### **2.3 Illiquidity of the Underlying(s)**

In accordance with the terms and conditions set out in the General Terms and Conditions, the Calculation Agent may determine in its duly executed discretion (billiges Ermessen) that an Underlying is illiquid at a relevant time. Underlying Illiquidity might lead to larger bid/offer spreads of the Product, to an extended time period for buying and/or selling the Underlying respective to acquire, unwind or dispose of the hedging transaction(s) or asset(s) or to realise, recover or remit the proceeds of such hedging transaction(s) or asset(s), as well as to a Postponed Redemption and a Modified Redemption Amount. Thus, any such determination may have an adverse effect on the market value of the Products.

### **2.4 Expansion of the Spread between Bid and Offer Prices**

In special market situations, where the Issuer and/or the Lead Manager is/are unable to enter into hedging transactions, or where such transactions are very difficult to enter into, the spread between the bid and offer prices may be temporarily expanded, in order to limit the economic risks of the Issuer and/or the Lead Manager.

### **2.5 Emerging Markets**

Investments in emerging markets should only be effected by Potential Investors who have a sound knowledge of these markets, who are well aware of and are able to weigh the diverse risks (inter alia political, social, and economic risks, currency, liquidity, and settlement risks, regulatory and legal risks) involved and who have sufficient financial resources to bear the substantial risks associated with such investments.

### **2.6 Risk Factors associated with Currency Exchange Rates**

An investment in Products may involve risk exposure to fluctuations in exchange rates of the relevant currencies in which the Products are denominated and the Underlying is traded or evaluated. For example (i) the Underlying(s) may be denominated in a currency other than that of the Products, (ii) the Products may be denominated in a currency other than the currency of the Investor's home jurisdiction and/or (iii) the Products may be denominated in a currency other than the currency in which an Investor wishes to receive funds.

Currency values may be affected by complex political and economic factors, including governmental action to fix or support the value, regardless of other market forces.

If the Investor's right vested in the Products is determined on the basis of a currency other than the Settlement Currency, or if the value of the Underlying is determined in a currency other than

the Settlement Currency, Potential Investors should be aware that investments in these Products could entail risks due to fluctuating exchange rates, and that the risk of loss does not depend solely on the performance of the Underlying, but also on unfavourable developments in the value of such other currency.

## **2.7 Quanto Feature**

If applicable, the Quanto feature cancels the currency exposure on the Product payoff on the Redemption Date or the Expiration Date. Hence, on maturity or expiration, a Product denominated in a currency different from the Underlying's currency, will have a payoff calculated only on the performance of the Underlying, with no account taken for the exchange rate between the two currencies at such time. During the life of the product, this non-exposure to currency may come at a cost or benefit depending on the difference between the domestic and foreign interest rates and the exchange rates between the currencies.

## **3. RISK FACTORS RELATING TO THE PRODUCTS**

### **3.1 Risk-hedging Transactions**

The ability to eliminate or to restrict the initial risks of the Products arising from their purchase by concluding any hedging transactions during their lifetime depends mainly on the market conditions and the terms and conditions of the specific Product. As a consequence, such transactions may be concluded at unfavourable market prices to the effect that corresponding losses may arise.

Potential Investors should therefore not rely on the ability to conclude transactions at any time during the term of the Products that will allow them to offset or limit relevant risks.

### **3.2 Features of Products on Currencies, Exchange Rates or Commodities**

In cases where the Underlyings are currencies, exchange rates or commodities, it should be noted that such Underlyings are traded 24 hours a day through the time zones of Australia, Asia, Europe and America. It is therefore possible that a relevant limit, barrier or threshold pursuant to the relevant Final Termsheet may be reached, exceeded, or fallen below outside of local or Lead Manager's business hours.

### **3.3 Early Termination of Products in accordance with General Terms and Conditions 17 and Reinvestment Risk**

The Issuer has the right to terminate early the Products issued hereunder upon the occurrence of certain events as defined in General Terms and Conditions 17.

In the case of such early termination of Products the Issuer will, if and to the extent permitted by applicable law, pay an amount determined by the Calculation Agent in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, as representing the Fair Market Value of such Products immediately prior to such termination (notwithstanding any illegality or impossibility). Instead of paying a cash amount corresponding to

the Fair Market Value of a Product, the Issuer may – in its duly executed discretion – deliver the Underlying of such Product.

A purchaser of Products should be aware that a cash amount corresponding to the Fair Market Value may be less than such purchaser's initial investment. Where the Issuer delivers the Underlying of a Product instead of paying a cash amount, the purchasers will receive such Underlying rather than the cash amount. The purchaser will, therefore, be exposed to the risk associated with such Underlying. The purchaser should not assume that he or she will be able to sell such Underlying for a specific price after the redemption of the Products, in particular not for a price corresponding to the amount of capital used to purchase the Products. Any early termination of Products pursuant to General Terms and Conditions 17 may, therefore, result in a partial or total loss of the invested capital.

A purchaser of Products should also be aware that following any early redemption of Products, the purchasers of such Products may not be able to reinvest the redemption proceeds or may only be able to do so on more unfavourable terms. Purchasers of Products should consider reinvestment risk in light of other investments available at that time.

### **3.4 Market Disruption Events**

In accordance with the terms and conditions set out in the General Terms and Conditions, the Calculation Agent may determine in its duly executed discretion (*billiges Ermessen*) that a Market Disruption Event has occurred or exists at a relevant time. Any such determination may have an adverse effect on the market value of the Products, which may result in a partial or total loss of the invested capital.

### **3.5 Other Factors affecting Market Value**

The market value of a Product is determined not only by changes in the price of the Underlying, but also a number of other factors. Since several risk factors may have simultaneous effects on the Products, the effect of a particular risk factor cannot be predicted. In addition, several risk factors may have a compounding effect which may not be predictable. No assurance can be given with regard to the effect that any combination of risk factors may have on the market value of the Products.

These factors include, *inter alia*, the terms and conditions of the specific Product, the frequency and intensity of price fluctuations (volatility) in the Underlying, as well as the prevailing interest rate and the creditworthiness of the Issuer and the Guarantor, which may change during the lifetime of the Product. A decline in the market value of the Product may therefore occur even if the price or level, as the case may be, of the Underlying remains constant or increases, depending on the product type.

Potential Investors should be aware that an investment in the Products involves a valuation risk with regard to the Underlying. They should have experience with transactions in Products with a value derived from an Underlying. The value of an Underlying may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors and speculation. If the Underlying comprises a basket of various assets, fluctuations in the value of any one asset may be offset or intensified by fluctuations in the value

of other basket components. In addition, the historical performance of an Underlying is not an indication of its future performance. The historical price of an Underlying does not indicate its future performance. Changes in the market price of an Underlying will affect the trading price of the Products, and it is impossible to predict whether the market price of an Underlying will rise or fall.

### **3.6 Information with regard to the Underlying**

Information with regard to the Underlying consists of extracts from or summaries of information that is publicly available in respect of the Underlying and is not necessarily the latest information available. The Issuer accepts responsibility for accurately extracting and summarizing the Underlying information. No further or other responsibility (express or implied) in respect of the Underlying information is accepted by the Issuer. The Issuer makes no representation that the Underlying information, any other publicly available information or any other publicly available documents regarding the Underlying or other item(s) to which the Products relate are accurate, up-to-date, or complete. There can be no assurance that all events occurring prior to the Initial Fixing Date (as defined in the General Terms and Conditions) of the relevant Products that would affect the trading price of the Underlying or other item(s) to which the Products relate (and therefore the trading price and market value of the Products) have been publicly disclosed. Subsequent disclosure of any such events or the disclosure or failure to disclose material future events concerning the Underlying or other item(s) to which the Products relate could affect the trading price and market value of the Products.

### **3.7 Fluctuations in Market Volatility may affect the Market Value of Products**

Market volatility reflects the degree of instability and expected instability of the performance of the equity, debt or commodity market over time. The level of market volatility is not purely a measurement of the actual market volatility, but is largely determined by the prices for derivative instruments that offer Potential Investors protection against such market volatility. The prices of these instruments are determined by forces such as actual market volatility, expected market volatility, other economic and financial conditions and trading speculations.

### **3.8 Risks of Products on a Share or Basket of Shares**

Neither the Issuer nor any affiliates of the Issuer have performed any investigations or review of any company issuing any share, including any public filings by such companies. Potential Investors should not conclude that the inclusion of the shares is any form of investment recommendation. Consequently, there can be no assurance that all events occurring prior to the relevant Issue Date (as defined in the Final Termsheet), that would affect the trading price of the share(s), will have been publicly disclosed. Subsequent disclosure of or failure to disclose material future events concerning a company issuing any Underlying could affect the trading price of the share and therefore the trading price of the Product.

### **3.9 Risks related to Products linked to indices**

In the case of Products linked to indices, the redemption amount depends on the performance of the respective Index and thus of the components contained in the respective Index. During the term, the market value of the Products can, however, also deviate from the performance of the

Index or components contained in the Index since other factors such as the correlation, volatilities, interest level and, e.g. in the case of performance indices, the reinvestment of any dividend payments relating to the components contained in the Index, may have an impact on the performance of the Products. The Investor can therefore not rely on recovery of the price of the Product. In the case of a price Index as Underlying, Investors should note that dividend payments are in principle not taken into account (whereas in the case of performance indices the calculation of such Index takes into account all dividend payments). Therefore, Investors should note that they do not participate in any dividend payments with regard to the components contained in the underlying.

The Investor bears an additional risk if an Index is calculated and determined in discretion of the Index Sponsor or the index calculation agent respectively the responsible person for calculating the Index as there is no guaranty that such decisions will lead to a positive performance of the Index. The performance of the Index and hence the Product depends, inter alia, on the quality of the Index Sponsor's investment decisions. Investors need to do their own due diligence with respect to the Index Sponsor.

Neither the Issuer, the Guarantor and/or the Lead Manager nor any affiliate take any responsibility in respect of the selection of Index components or the success of the intended strategy if they are not taking this responsibility explicitly as part of their capacity as Index Sponsor, index calculation agent or as responsible person for calculating the Index

### **3.10 Risks of Products on Collective Investment Schemes resp. Funds or a Basket of Collective Investment Schemes resp. Funds**

Due to possible premiums or fees levied on Collective Investment Schemes resp. Funds by their respective management, the performance of a Collective Investment Scheme resp. Funds might not exactly reflect the performance of its underlying asset. Therefore a Potential Investor should be aware that the value of the Products is not solely depending on the value of the Collective Investment Scheme's resp. Funds' underlying asset, but also on other factors.

### **3.11 Risks of Products on Commodities, a Basket of Commodities or Commodities Indices**

Commodities comprise physical commodities, which need to be stored and transported, and commodity contracts, which are agreements either to buy or sell a set amount of a physical commodity at a predetermined price and delivery date (e.g. future contracts).

The majority of commodities are traded globally on specialized exchanges or directly between market participants (interbank trading) over-the-counter by means of largely standardized contracts. Commodity prices are more volatile than other investment categories and, in particular, commodity markets are less liquid than bond, currency or stock markets. This means that changes in the supply and demand have a larger impact on prices and volatility, making commodities riskier and more complex than other investments.

The factors that influence commodity prices are both numerous and complex. Examples of some typical factors affecting commodities prices are: limited scope for action for commodities on the supply side and differences in regional demand; unfavourable weather conditions, diseases and epidemics; influence of the overall yield with commodities, e.g. through costs (like transport,

storage and insurance costs) in the case of direct investments in commodities; strong speculation; production in emerging markets that often have an unstable political and economic situation, high inflation, increased risk of currency fluctuations as well as political and legal risks; or changes in tax rates and customs duties.

The majority of commodities are usually traded in U.S. dollars, therefore Investors may bear a currency exchange risk between the currency in which the commodity is traded and the Settlement Currency of the Product.

The price of a commodity contract (Future) will generally be at a premium or at a discount to the spot price of the relevant physical commodity. This discrepancy is due to factors as the need to adjust the spot price due related expenses and different methods being used to evaluate general factors affecting the spot and the futures markets. Therefore, Products with a physical commodity as Underlying may provide a different return than Products with a commodity contract as Underlying.

Investors should also consider that commodities are traded 24 hours a day as a result of the time zones of Australia, Asia, Europe and America. For this reason it is possible that an event that is material in accordance with the respective Product or a factor relevant for the determination of the right granted by the Product may occur or be determined outside the business hours of the place where the Products are offered and/or traded.

**Markets where commodities are traded may potentially become subject to future additional regulation which could result in the performance of the Issuer's obligations under the Products or that any arrangements made to hedge the Issuer's obligations under the Products have become illegal in whole or in part for any reason. In such a case the Issuer may cancel the Products by providing notice to Investors.**

### **3.12 Investing in the Products is not the same as investing directly in the Underlying**

Potential Investors should be aware that the market value of the Products may not have a direct relationship with the prevailing price of the Underlying, and changes in the prevailing price of the Underlying will not necessarily result in a comparable change in the market value of the Products.

As an Investor in Products, Investors will not have voting rights or rights to receive dividends, interest, or other distributions, as applicable, or any other rights with respect to any Underlying share. The responsibility for registration of any shares delivered to the Investor, where applicable, is borne by the Investor if "Delivery of Underlying" is provided in the relevant Final Termsheet and the shares will be delivered.

### **3.13 Possible decline in Underlying Value in case of Delivery of Underlying**

To the extent that "Delivery of Underlying" is provided for in the relevant Final Termsheet, Potential Investors should note that any fluctuations in the price of the Underlying between the Expiration Date of the Product and the delivery of the Underlying on the Redemption Date are borne by the Investors. Losses in the value of the Underlying can therefore still occur after the corresponding Expiration Date, and are borne by the Investors.

### **3.14 Protection Amount**

If and to the extent that a capital protection has been declared applicable in the relevant Final Termsheet, the Products will be redeemed at maturity for an amount no less than the specified protection. A capital protection may apply at a level below, at, or above the nominal of the Product. The capital protection, if any, will not be due if the Products are redeemed prior to their Redemption Date or upon the occurrence of a Market Disruption Event or upon the occurrence of a Tax Call (as defined in the General Terms and Conditions). If no capital protection is applicable, the full amount invested by the Investor may be lost. Even if a capital protection applies, the return may be less than the capital protection specified on the Final Termsheet. The payment of the protection amount may be affected by the condition (financial or otherwise) of the Issuer and the Guarantor.

In particular, Investors are still exposed to the credit risk of the Issuer and the Guarantor (see 3.17, 3.5, 4.2 and 4.7).

Investors must be willing and prepared to hold their Product until the Expiration Date. The invested amount is protected only if the Investor holds the Product until the Expiration Date. If an Investor sells the Product in the secondary market prior to the Expiration Date, the Investor will not have capital protection on the Product sold.

### **3.15 Views of the Issuer, the Guarantor and/or the Lead Manager and Research Reports published by the Issuer and/or the Guarantor**

The Issuer, the Guarantor and/or the Lead Manager and their affiliates may express views on expected movements in any relevant markets in the ordinary course of their businesses. These views are sometimes communicated to clients who participate in these markets. However, these views, depending upon world-wide economic, political, and other developments, may vary over differing time-horizons and are subject to change. Moreover, other professionals who deal in these markets may at any time have significantly different views from the views of the Issuer, the Guarantor and/or the Lead Manager and their affiliates. Investors must derive information about the relevant markets from multiple sources. Investors should investigate these markets and not rely on views which may be expressed by the Issuer, the Guarantor and/or the Lead Manager or their affiliates in the ordinary course of the Issuer's, the Guarantor's and/or the Lead Manager's or their affiliates' businesses with respect to future market movements.

The Issuer, the Guarantor and or the Lead Manager or one or more of their affiliates may, at present or in the future, publish research reports with respect to movements in equity, commodity or other financial markets generally or in the relevant market price specifically. Such research is modified without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Products. Any of these activities may affect the market value of the Products.

### **3.16 Products listed on SIX Swiss Exchange or any other exchanges may be suspended from trading**

SIX provides for rules determining admissible underlying instruments for derivatives (including Structured Products). It cannot be excluded that during the lifetime of the Product, the Underlying

is suspended from trading or de-listed from SIX or any other applicable exchange for reasons beyond reasonable control of the Issuer and/or Guarantor. In case the Underlying of a Product is suspended from trading or de-listed, this might have material adverse effects on the Product and/or, among other reasons, might also lead to the suspension or de-listing of the Product.

In addition, it cannot be excluded that the Products may be suspended from trading or de-listed from SIX or any other applicable exchange during the lifetime of the respective Product for other reasons.

### **3.17 No Supervision by the Swiss Financial Market Supervisory Authority (FINMA)**

The Products are derivative financial instruments which do not qualify as units of a collective investment scheme according to the relevant provisions of the CISA, as amended, and are not registered thereunder. Therefore, the Products are neither governed by the CISA nor supervised by the FINMA. Accordingly, the Investor does not have the benefit of the specific Investor protection provided under the CISA. Investors should be aware that they are exposed to the credit risk of the Issuer and the Guarantor.

### **3.18 Risks in respect of FATCA withholding tax**

Under Section 1471 through 1474 of the U.S. Internal Revenue Code, as amended and the regulations promulgated thereunder ("**FATCA**"), the Issuer may, under certain circumstances, be required by FATCA to withhold U.S. tax at a rate of 30 per cent. on all or a portion of payments of principal and interest on the Products which are treated as "passthru payments" made to foreign financial institutions unless such foreign financial institution payee complies with applicable FATCA reporting requirements. On 12 July 2013, the U.S. Internal Revenue Service issued a notice to change the date from which the withholding tax under FATCA described above shall apply instead of from 1 January 2014, from 1 July 2014 onwards. As a result, Products issued and outstanding as of 30 June 2014 generally should not be subject to this withholding tax, provided that after 30 June 2014, the terms of the Products are not modified in a way that would cause the notes to be treated as reissued for U.S. tax purposes.

If an amount in respect of FATCA withholding tax were to be deducted or withheld from interest, principal or other payments on the Products as a result of a payee's or holder's failure to comply with FATCA, none of the Issuer, any Paying Agent or any other person would, pursuant to the Terms and Conditions, be required to pay additional amounts as a result of the deduction or withholding of such tax.

## **4. RISK FACTORS RELATING TO THE ISSUER AND/ OR THE GUARANTOR AND/OR LEONTEQ GROUP (AS SUCH TERMS IS DEFINED IN SECTION IV HEREAFTER)**

### **4.1 Non-reliance on Financial Information of the Issuer and/or the Guarantor**

As a financial services provider, the business activities of the Issuer and/or the Guarantor are affected by the prevailing market situation. Different risk factors can impair the Issuer's and/or the Guarantor's ability to implement business strategies and may have a direct negative impact on earnings. Accordingly, the Issuer's and/or the Guarantor's revenues and earnings are subject to fluctuations. The revenues and earnings figures from a specific period, thus, are not evidence of

sustainable results. They can change from one year to the next and affect the Issuer's ability to achieve its strategic objectives.

#### **4.2 General Insolvency Risk**

Each Investor bears the general risk that the financial situation of the Issuer, the Guarantor and/or Leonteq Group (as defined in the section "Organisational Chart of Leonteq Group" herein) could deteriorate.

Unless specified otherwise, Investors are exposed to the credit risk of the Issuer and/or the Guarantor of the Products. The Products constitute unsubordinated and unsecured obligations of the Issuer and/or the Guarantor and rank *pari passu* with each and all other current and future unsubordinated and unsecured obligations of the Issuer and/or the Guarantor. The insolvency of each of the Issuer and the Guarantor may lead to a partial or total loss of the invested capital.

Collateralization, as further described in sections "Collateral Secured Instruments (COSI)" and "Triparty Collateral Management Secured Structured Products (TCM)" herein, eliminates the credit risk of the Issuer only to the extent that the proceeds from the liquidation of collateral upon occurrence of a Liquidation Event (less the costs of liquidation and payout) meet the Investors' claims. The Investor bears the following risk, among others: the market risk associated with the collateral results in insufficient liquidation proceeds or, in extreme circumstances, the collateral might lose its value entirely until the liquidation can take place. The costs for the COSI service provided by SIX Swiss Exchange resp. for the TCM service provided by SIX SIS AG with respect to the collateralization of the Products may be taken into account for the pricing of a specific Product and may therefore be borne by the Investors, as the case may be. Please also refer to section 17. With regard to the payment of the pro-rata share of the net liquidation proceeds the Investor shall bear the solvency risks of SIX Swiss Exchange resp. SIX SIS AG and the financial intermediaries along the payout chain. The payment to the Investors may be delayed for factual or legal reasons. To the extent the calculation of the current value of Products proves to be incorrect, the collateralization of the Products may be insufficient.

#### **4.3 Liquidity**

Liquidity and liquidity management are of critical importance in the Issuer's, the Guarantor's and/or Leonteq Group's industry. Liquidity could be affected by the inability to access the long-term or short-term debt, repurchase, or securities lending markets or to draw under credit facilities, whether due to factors specific to the Issuer, the Guarantor and/or Leonteq Group or to general market conditions. In addition, the amount and timing of contingent events, such as unfunded commitments and guarantees, could adversely affect cash requirements and liquidity.

#### **4.4 Competitive and Business Environment**

All aspects of the Issuer's and/or the Guarantor's and/or Leonteq Group's (as defined in the section "Organisational Chart of Leonteq Group") business including the business of the Issuer and the Guarantor are highly competitive. Leonteq Group's (including the Issuer) and the Guarantor's competitive ability depends on many factors, including its reputation, the quality of its services and advice, intellectual capital, product innovation, execution ability, pricing, sales efforts, and the talent of its employees.

#### **4.5 Potential Conflicts of Interest**

The Issuer and/or the Guarantor and affiliated companies may participate in transactions related to the Products in some way, for their own account or for account of a client. Such transactions may not serve to benefit the Investors and may have a positive or negative effect on the value of the Underlying and consequently on the market value of the Products. Furthermore, companies affiliated with the Issuer and/or the Guarantor may become counterparties in hedging transactions relating to obligations of the Issuer and/or the Guarantor stemming from the Products. As a result, conflicts of interest can arise between companies affiliated with the Issuer and/or the Guarantor, as well as between these companies and Investors, in relation to obligations regarding the calculation of the price of the Products and other associated determinations. In addition, the Issuer and/or the Guarantor and their affiliates may act in other capacities with regard to the Products, such as Calculation Agent, Paying Agent and/or Index Sponsor.

Furthermore, the Issuer and/or the Guarantor, or affiliated companies of the Issuer and/or the Guarantor, may issue other derivative instruments relating to the respective Underlying; introduction of such competing products may affect the market value of the Products. The Issuer and/or the Guarantor and their respective affiliated companies may receive non-public information relating to the Underlying, and neither the Issuer nor the Guarantor nor any of their affiliates undertake to make this information available to Investors. In addition, one or more of the Issuer's and/or the Guarantor's affiliated companies may publish research reports on the Underlying. Such activities could present conflicts of interest and may affect the market value of the Products.

#### **4.6 Significance of Credit Ratings**

Access to the unsecured funding markets is dependent on the Issuer's and/or the Guarantor's credit ratings, if existing (as indicated in the Final Termsheet). A reduction in the Issuer's and/or the Guarantor's credit ratings could adversely affect the Issuer's access to liquidity alternatives and its competitive position, and could increase the cost of funding or trigger additional collateral requirements.

Anticipated or actual upgrades or downgrades in the Issuer's and/or the Guarantor's credit ratings, if any, may have an impact on its creditworthiness and, therefore, the market value of a Product (see 3.5 above).

#### **4.7 Credit Exposure**

Credit exposure represents the possibility that a counterparty will be unable to honor its contractual obligations. Although the Issuer, the Guarantor and/or Leonteq Group actively manage credit exposure daily as part of their/its risk management framework, counterparty default risk may arise from unforeseen events or circumstances.

#### **4.8 Operational Risk**

Operational risk is the risk of loss resulting from inadequate or failed internal or outsourced processes, people, infrastructure and technology, or from external events. The Issuer, the

Guarantor's and/or Leonteq Group seek to minimize these risks through an effective internal control environment.

#### **4.9 Legal, Regulatory, and Reputational Risks**

The Issuer has a securities dealers licence issued by the FINMA and is under the supervision by the FINMA, and accordingly, the Issuer is subject to minimum capital requirements. The Issuers, Guernsey branch (the "**Branch**"), is licensed under the Protection of Investors (Bailiwick of Guernsey) Law 1987 and supervised by the Guernsey Financial Services Commission.

Information regarding the licence and supervision of the respective Guarantor, if applicable, are provided in the respective Guarantee Annex, if any.

Violation of applicable regulations could result in legal and/or administrative proceedings, which may impose censures, fines, cease-and-desist orders or suspension of a firm, its officers or employees. The scrutiny of the financial services industry has increased over the past several years, which has led to increased regulatory investigations and litigation against financial services firms.

Legislation and rules adopted both in Switzerland and around the world have imposed substantial new or more stringent regulations, internal practices, capital requirements, procedures and controls and disclosure requirements in such areas as financial reporting, corporate governance, auditor independence, equity compensation plans, restrictions on the interaction between equity research analysts and investment banking employees and money laundering. The trend and scope of increased compliance requirements may require the Leonteq Group (as such term is defined in section IV hereafter(including the Issuer) and/or the Guarantor to invest in additional resources to ensure compliance.

The trend and scope of increased compliance requirements has increased costs necessary to ensure compliance. The Leonteq Group's and the Guarantor's reputation is critical in maintaining their relationships with clients, Investors, regulators and the general public, and is a key focus in the Leonteq Group's and/or the Guarantor's risk management efforts.

Leonteq Group and/or the Guarantor is or may become involved in a number of judicial, regulatory and arbitration proceedings concerning matters arising in connection with the conduct of its business.

#### **4.10 Discounts and Reimbursements by the Issuer and related Conflicts of Interests of Financial Institutions / Remuneration received by the Issuer and/or the Lead Manager from Third Parties**

The Issuer and/or the Lead Manager will offer the Products to banks, securities dealers, and other financial intermediaries or institutions (together the "**FI**"), who buy the Products for purposes of, or with a view to, on-sell such Products to their clients. The Issuer and/or the Lead Manager will offer the Products to FI's (i) at a discount of a) up to 2% p.a. to the Issue Price ("**Relevant Fees**"), b) up to 3.5% p.a. to the Issue Price ("**Significant Fees**"), c) more than 3.5% p.a. to the Issue Price ("**Substantial Fees**") (as may be determined in the Final Termsheet) or d) with a fee explicitly specified in the Final Termsheets, or (ii) at the Issue Price but reimbursing an amount of a) up to

2% p.a. of the Issue Price ("**Relevant Fees**"), b) up to 3.5% p.a. of the Issue Price ("**Significant Fees**") or c) more than 3.5% p.a. of the Issue Price ("**Substantial Fees**") (as may be determined in the Final Termsheet) or d) a fee explicitly specified in the Final Termsheets to the FI, meaning that if and to the extent such discount or reimbursement, on the basis of statutory law, would have to be forwarded by the FI to the Investor, each Investor hereby takes note and unconditionally waives any right in respect of such discount or reimbursement and accepts that the FI may retain and keep such discount or reimbursement.

In addition, for certain services rendered and in order to increase quality and services relating to Products issued by the Issuer, the Issuer and/or the Lead Manager may pay trailer fees to distribution partners. The individual rates will be specified in the Final Termsheets. If and to the extent such trailer fees, on the basis of statutory law, would have to be forwarded by the FI to the Investor, each Investor hereby takes note and unconditionally waives any right in respect of such trailer fees and accepts that the FI may retain and keep such trailer fees.

Potential Investors should be aware that such discounts, reimbursements and trailer fees may, depending on the circumstances, cause potential conflicts of interests at the FI; FI are obliged, however, to implement organizational measures designed to prevent that such potential conflicts of interest may adversely affect the interests of their clients. Further information is available from the Issuer, the Lead Manager or the FI.

The Issuer and/or the Lead Manager may receive remuneration, discounts, and/or soft-commissions (the "**Retrocessions**") in the range of overall up to 2% p.a. of the Issue Price from third parties, in particular from the issuers, managers or lead managers of financial products or indexes that serve as Underlyings. If and to the extent such Retrocessions, on the basis of statutory law, would have to be credited to the Product or forwarded to the Investor, each Investor hereby takes note and unconditionally accepts that the Issuer and/or the Lead Manager will retain and keep such Retrocessions. Potential Investors should be aware that such Retrocessions may cause conflicts of interests at the Issuer and/or the Lead Manager and that there are organizational measures in place, designed to reduce the risk that such conflicts of interest adversely affect the interests of Investors. Further information is available from the Issuer, the Lead Manager, or the FI.

#### **4.11 Risks relating to White Labelling Business**

The Issuer offers white labelling services to third parties. The Issuer's white labelling business is based on a novel business model that is largely untested and there may not be sufficient demand to enable the Issuer to achieve meaningful operating income or cash flow or profitable operations.

The Issuer is further exposed to reputational and potentially regulatory risks should one of its white labelling partners default which might have a significant impact on the Issuer's operations.

### **5. ADDITIONAL RISK FACTORS RELATING TO THE GUARANTOR**

The relevant Risk Factors relating to the Guarantor, if any, are provided in the section "Risk Factors relating to the Issuer and/or the Guarantor and/or the Leonteq Group". However, if the Issuer determines to include a Guarantor in this Programme additional Risk Factors may be integrated in the relevant Guarantee Annex.

**6. EXCLUSIVE OBLIGATIONS OF THE GUARANTOR**

Obligations, if any, arising from the Guarantee will be solely the Guarantor's obligations, and no other entity of the Guarantor's group, if any, will have any other obligation, contingent or otherwise, to make any payments in respect thereof.

Reference is also made to all above sections which refer to the Guarantor.

## II GENERAL TERMS AND CONDITIONS

The following General Terms and Conditions are applicable to all Products issued under this Programme by the Issuer (including those issued by the Branch) and shall be read in conjunction with the terms and conditions of the Products as supplemented, replaced or modified by the Final Termsheet related to any Series or any Tranche of Products. In case of inconsistencies between the General Terms and Conditions and the Final Termsheet, the Final Termsheet shall prevail.

The Investors are deemed to have notice of all the provisions of this Programme and the Final Termsheet.

### 1. DEFINITIONS

*The following definitions are applicable to all Products issued under this Programme by the Issuer and shall be read in conjunction with the additional terms and conditions of the Final Termsheet related to each Series of Products which may supplement them, replace them or modify them.*

As used in these General Terms and Conditions, the following expressions shall have the meanings in respect of any Products or Series of Products as set forth below. Words denoting the singular number only, shall include the plural number also and vice versa, and words denoting one gender only, shall include the other gender.

"**American Style Warrant**" has the meaning specified in General Terms and Conditions 5.1.

"**Announcing Party**" has the meaning specified in General Terms and Conditions 12.2.

"**Announcing Third Party**" has the meaning specified in General Terms and Conditions 12.2.

"**Automatic Exercise**" has the meaning specified in General Terms and Conditions 7.2.

"**Automatic Redemption**" has the meaning specified in General Terms and Conditions 8.2.

"**Barrier Level**" and/or "**Trigger Level**" or any other level have the meaning (where applicable) specified in the Final Termsheet.

"**Barrier Observation Period**" means the period of time as stated in the Final Termsheet and includes both, start and end date of the respective period. In cases where the Calculation Agent determines the Initial Fixing Level based on an observed intraday price at any time on the Initial Fixing Date, the barrier observation will start only after the product has been fixed on that day. In addition, if a Product's Final Fixing Level is to be determined at any time on the Final Fixing Date (observed price), the barrier observation will cease with the Calculation Agent's fixing on that date.

"**Basket**" means (where applicable):

- (i) in respect of a Share, the basket of Shares, as specified in the Final Termsheet, subject to adjustments;
- (ii) in respect of an Index, the basket of Indices, as specified in the Final Termsheet, subject to adjustments.

(iii) in respect of any other Underlying, the basket of such other Underlyings, as specified in the Final Termsheet, subject to adjustments.

**"Börse Frankfurt Zertifikate AG"** means the respective trading platform for Structured Products, or any successor thereof.

**"Business Day"** means in connection with any payment procedure (i) a day on which SIS, DTC, Clearstream Luxembourg and Euroclear are open for business, and (ii) foreign exchange markets (including metals accounts) settle payments in the Settlement Currency, (iii) banks are open for business in Zurich and (iv) any other day, as specified in the Final Termsheet, if applicable.

**"Business Day Convention"** means convention to be used for the calculation of any interest amount, as defined in the Final Termsheet.

**"Calculation Agent"** means the calculation agent specified in the Final Termsheet.

**"Cap Level"** has the meaning (where applicable) specified in the Final Termsheet.

**"Cash Settlement"** has the meaning (where applicable) specified in the General Terms and Conditions 7.8 or 8.9, or as specified in the Final Termsheet.

**"Clearing"** and/or **"Clearing System"** means (i) in relation to Products listed on the SIX Swiss Exchange, the SIX SIS AG, Olten, Switzerland, or any additional clearing system approved by the Regulatory Board of the SIX or (ii) in relation to any Products which are not listed, SIS or any clearing system specified in the relevant Final Termsheet in which Products are, for the time being, held.

**"Commodity"** means any commodity, as specified in the Final Termsheet.

**"Commodity Index"** means the commodity index, as specified in the Final Termsheet.

**"Company"** means, for Products with Shares as Underlying, the company that has issued such Shares.

**"Conversion Rate"** means (where applicable) the rate for conversion of any amount into the Settlement Currency, as specified in the Final Termsheet and, if not specified, as reasonably determined by the Calculation Agent.

**"Conversion Ratio"** means the number of Products per one Underlying or the Underlyings into which a given number of Products may be converted, as the case may be and as specified in the Final Termsheet.

**"Coupon Ex-Date"** means, with respect to any Product paying a coupon, the first Exchange Business Day such Product is quoted without the entitlement to the coupon amount on the next following Coupon Payment Date.

**"Coupon Payment Date"** has the meaning as determined in the Final Termsheet.

**"Delivery of Underlying"** has the meaning (where applicable) specified in General Terms and Conditions 7.9.

**"Delivery Period"** relating to Settlement Disruption means the **fifteen** Business Days period starting on the Exchange Business Day following the Final Fixing Date or (in the case of a Valuation Period) the last Final Fixing Date of the Valuation Period (or any other period defined in the Final Termsheet).

**"Early Redemption Date(s)"** has the meaning specified in General Terms and Conditions 5.2 or as specified in the Final Termsheet.

**"European Style Warrant"** has the meaning specified in General Terms and Conditions 5.1.

**"Exchange"** means the stock exchange where the Product is listed, if applicable, or as specified on the Final Termsheet.

**"Exchange Business Day"** means if not otherwise specified in the Final Termsheet:

- (i) in respect of Products with a Share as Underlying a Trading Day on which the Related Exchange is operating, on which the relevant Share is quoted on the Related Exchange and on which such futures or options on the relevant Share (if any) are traded on the Futures and Options Exchange, subject to the provisions set forth in the section headed 'Market Disruption Event'
- (ii) in respect of Products with an Index as Underlying a day, on which the relevant Index is calculated by the Relevant Party or the Index Third Party and announced by the Announcing Party or the Announcing Third Party, subject to the provisions set forth in the section headed 'Market Disruption Event'.
- (iii) in respect of Products with any Underlying other than an Index or a Share, if the value of such Underlying is determined:
  - a. by way of a reference to a publication of an official fixing, a day on which such fixing is scheduled to be determined and published by the respective fixing sponsor, subject to Market Disruption Events;
  - b. by way of reference to an official cash settlement price, a day, on which such official cash settlement price is scheduled to be determined and published by the respective exchange or any other official announcing party, subject to Market Disruption Events;
  - c. by way of reference to a price or value source including but not limited to information providers such as Reuters, Bloomberg or WM Company PLC and the respective pages on their systems, a day, on which such price or value source still exists and officially provides for the respective price or value, subject to Market Disruption Events;
  - d. by way of reference to an official settlement price (e.g. for a futures contract being the Underlying), a day, on which the Related Exchange is scheduled to be open for trading for its respective regular trading session, notwithstanding any such Related Exchange closing prior to its scheduled closing time.
  - e. by the Calculation Agent at a specific time on a specific date, without reference to any source, a day on which the Calculation Agent can enter into a spot transaction with

another counterparty, depending on both parties' respective opening hours.

- (iv) in respect of Products with more than one Underlying, irrespective of their nature, and with an income deriving from the calculated number of Exchange Business Days within a pre-defined period of time, a day, on which at least one of the relevant Underlyings can be determined in accordance with (i) to (iii) above. For the purpose of the respective income calculation only, the other Underlyings for which such day is actually not a scheduled Exchange Business Day, will be assessed based on their levels of the previous Exchange Business Day.

**"Exercise Date"** means, in respect of any Warrant, the day on which such Warrant is deemed to have been exercised in accordance with General Terms and Conditions 7.2 (Automatic Exercise), if applicable, or on which an Exercise Notice relating to that Warrant is delivered in accordance with the provisions of General Terms and Conditions 7.3 (Exercise Notice).

**"Exercise Notice"** means any notice in the form as may be agreed by the Issuer and the Paying Agent (and which is available at the specified office of the Paying Agent) which is delivered by an Investor in accordance with General Terms and Conditions 7.3 (Exercise Notice).

**"Exercise Period"** means, in the case of American Style Warrants, a period starting on the Issue Date and ending on the Expiration Date or as specified in the Final Termsheet.

**"Expiration Date"** means the date, as specified under Final Fixing Date in the Final Termsheet, subject to Market Disruption Event provisions.

**"Fair Market Value"** means the value of the relevant Underlying as determined by the Calculation Agent in its duly executed discretion (*billiges Ermessen*) but in accordance with established market practice, which is calculated on the basis of the relevant market conditions after deduction of the costs of the Issuer for unwinding any related underlying hedging arrangements.

**"Final Fixing Date"** means, subject to provisions regarding Market Disruption, the date specified in the Final Termsheet or if such date is not an Exchange Business Day the next succeeding Exchange Business Day.

**"Final Fixing Level"** has the meaning as determined in the Final Termsheet.

**"Fixed-end Products"** mean Structured Products with a fixed duration, ending on the Final Fixing Date and/or the Redemption Date, respectively.

**"Following Business Day Convention"** means that the immediately following Business Day or Exchange Business Day, as applicable according to the Final Termsheet, shall apply if the date indicated in the Final Termsheet is not a Business Day or not an Exchange Business Day. Such convention shall apply by default unless otherwise specified in the Final Termsheet.

**"Futures and Options Exchange"** means with respect to any Product the organized futures and options exchanges on which futures and/or options relating to the Underlying are traded as, as the case may be, specified in the Final Termsheet or any succeeding market thereto.

**"FX Disruption Event"** has the meaning given in General Terms and Conditions 15.

"**FX Establishment Date**" has the meaning given in General Terms and Conditions 15.

"**FX Rate**" has the meaning given in General Terms and Conditions 15.

"**Guarantor**" means a party as may specified in the relevant Guarantee Annex and the Final Termsheet.

"**Hedging Disruption**" has the meaning specified in General Terms and Conditions 15.

"**Hedging Entity**" has the meaning specified in General Terms and Conditions 15.

"**Increased Cost of Collateralization**" has the meaning specified in General Terms and Conditions 15.

"**Increased Cost of Hedging**" has the meaning specified in General Terms and Conditions 15.

"**Index**" means, in respect of any Product relating to an index, each index specified in the Final Termsheet and published by the relevant Index Sponsor.

"**Index Sponsor**" means the relevant index sponsor who calculates and publishes the relevant Index, as specified in the Final Termsheet.

"**Index Third Party**" has the meaning specified in General Terms and Conditions 11.

"**Initial Fixing Date**" has the meaning as determined in the Final Termsheet.

"**Initial Fixing Level**" has the meaning as determined in the Final Termsheet.

"**Investor**" means a person entitled to the rights conferred by the Products, holding Products through a Securities Account Holder, or, in the case of a Securities Account Holder acting for its own account, such Securities Account Holder.

"**Issuer**" means Leonteq Securities AG which may also be acting through the Branch, as specified in the Final Termsheet.

"**Issue Date**" has the meaning as determined in the Final Termsheet.

"**Issue Price**" means the issue price as specified in the Final Termsheet.

"**Issuer Estimated Value**" means the Issuer Estimated Value (the "**IEV**") as may be specified in the Final Termsheet. The IEV is calculated by the Issuer and/or the Lead Manager or any third party appointed by the Issuer, as applicable, on the Initial Fixing Date, or at the beginning of the subscription period and will not be updated during the lifetime of the Product. The difference between the Issue Price of the Product and the IEV is comprised of the expected issuer margin and the Distribution Fee, if such is applicable as stated in the Final Termsheet. While the IEV corresponds to the model price of the Product components minus finance income and including expected hedging cost, the expected issuer margin covers amongst others the costs for the structuring, market making and settlement of the Product and also includes the expected issuer revenues. The Issue Price (including the IEV) as well as the bid and offer prices of the Product are calculated based on internal pricing models of the Issuer and/or the Lead Manager or any third

party appointed by the Issuer, as applicable.

**"Last Trading Day"** means the date as specified in the Final Termsheet.

**"Last Trading Time"**, see the definition of Trading Expiration Time.

**"Lead Manager"** means the lead manager specified in the Final Termsheet.

**"Market Disruption Event"** has the meaning specified in General Terms and Conditions 9.

**"Maximum Exercise Number"** has the meaning specified in General Terms and Conditions 7.1.

**"Maximum (Redemption) Amount"** means (where applicable) the amount, as specified in the Final Termsheet.

**"Merger Date"** has the meaning specified in General Terms and Conditions 11.2.

**"Merger Event"** has the meaning specified in General Terms and Conditions 11.2.

**"Merger Event Redemption Amount"** has the meaning specified in General Terms and Conditions 11.2.

**"Minimum Exercise Number"** has the meaning specified in General Terms and Conditions 7.1.

**"Minimum Investment"** means the minimum investment amount specified in the Final Termsheet.

**"Minimum Trading Lot"** means the minimum trading lot specified in the Final Termsheet.

**"Observation Date"** has, subject to Market Disruption Event provisions, the meaning as determined in the Final Termsheet or if such a date is not an Exchange Business Day the following Exchange Business Day.

**"Open-end Products"** mean Structured Products with no fixed maturity.

**"Paying Agent"** means the paying agent specified in the Final Termsheet.

**"Postponed Final Fixing Date"** has the meaning given in General Terms and Conditions 15.

**"Postponed Observation Date"** has the meaning given in General Terms and Conditions 15.

**"Potential Adjustment Event"** has the meaning given in General Terms and Conditions 11.1.

**"Preceding Business Day Convention"** means that the immediately preceding Business Day resp. Exchange Business Day, as applicable according to the Final Termsheet, shall apply if the specific date indicated in the Final Termsheet is not a Business Day resp. not an Exchange Business Day. The Preceding Business Day Convention would be specified on the relevant Final Termsheet.

**"Price Source"** means in respect of a Commodity, the price source, as specified in the Final Termsheet, providing the relevant price of the respective Commodity.

**"Products"** mean Warrants and Structured Products, as specified in the Final Termsheet.

**"Rating"** means the rating of the Issuer and the Guarantor, as specified in the Final Termsheet.

**"Redemption"** or **"Redemption Amount"** means (where applicable) with respect to any Product a Cash Settlement in the Settlement Currency and/or a Delivery of Underlying, as specified in the Final Termsheet.

**"Redemption Date"** means in respect of: (i) any Warrants being exercised, the **fifth** Business Day following the Exercise Date, the Expiration Date or the Final Fixing Date (or, as the case may be, following the Final Fixing Date of the Valuation Period) or any other Business Day specified in the Final Termsheet, subject to Market Disruption Event provisions; (ii) any Structured Products, the Business Day specified in the Final Termsheet. In case where a Final Fixing Date is postponed as a consequence of a Market Disruption Event, the Redemption Date, any Coupon Payment Date or any other date, as applicable, will be postponed accordingly.

**"Redemption Notice"** means any notice in the form as may be agreed by the Issuer and the Paying Agent (and which is available at the specified office of the Paying Agent) which is delivered by an Investor in accordance with General Terms and Conditions 8.3 and 8.4.

**"Related Exchange(s)"** means the exchange(s) or a quotation system, as specified in the Final Termsheet, any successor to such Related Exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying has temporarily relocated (provided that the Issuer and/or Calculation Agent have determined that there is comparable liquidity relative to the Underlying on such temporary substitute or quotation system as on the original Related Exchange) on which the relevant Underlying or its components and, relating to Products on Commodity Indices, the relevant Underlying Components are traded, or as specified in the Final Termsheet.

**"Relevant Currency"** means the currency in which the Underlying is trading on the Related Exchange.

**"Relevant Party"** has the meaning specified in General Terms and Conditions 12.

**"Requisite Amount"** has the meaning specified in General Terms and Conditions 7.7.

**"Securities Account Holder"** means a financial intermediary entitled to hold accounts with a Clearing System on behalf of its customers or an Investor entitled to an account with SIS or any other Clearing System, as specified in the relevant Final Termsheet.

**"Series"** means two or more Tranches of Products, designated to constitute a Series in the relevant Conditions, with the same Underlying or Underlying Component, issued on the same date.

**"Settlement Currency"** means the currency, as specified in the Final Termsheet, used for the payment of any Redemption, Redemption Amount or any other amount.

**"Settlement Disruption"** means, in the case of a Delivery of Underlying, the suspension or material limitation, in the opinion of the Calculation Agent, of transfers of the Underlying in the system of any of the Clearing Systems.

**"Share"** means, in respect of any Product relating to shares, each share, depository receipt, or any other equity or equity related instruments or units of investment funds, as specified in the Final Termsheet.

**"SIS"** means SIX SIS AG, Olten, Switzerland, or any successor thereof.

**"SIX"** or **"SIX Swiss Exchange"** means SIX Swiss Exchange, Zurich, Switzerland, or any successor exchange thereof.

**"SIX Structured Products Exchange AG"** means a trading platform for Structured Products designed by SIX Group, or any successor thereof.

**"Stop Loss Level"** has the meaning (where applicable) specified in the Final Termsheet.

**"Strike Level"** and/or **"Strike Price"** has the meaning (where applicable) specified in the Final Termsheet.

**"Structured Products"** mean structured products such as Certificates, Notes, Reverse Convertibles etc., based on any kind of Underlying, including but not limited to shares, depository receipts, indices, currencies, interest rates, commodities and baskets thereof or a combination thereof, as specified in the Final Termsheet, according to article 5 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 as amended ("CISA") and according to section 2 of the Swiss Bankers Association's Guidelines on informing Investors about Structured Products.

**"Total Expense Ratio"** means the Total Expense Ratio (the "TER") as may be specified in the Final Termsheet. The TER is calculated by the Issuer and/or the Lead Manager or any third party appointed by the Issuer, as applicable, on the Initial Fixing Date, or at the beginning of the subscription period and will not be updated during the lifetime of the Product. The TER corresponds to the difference between the Issue Price of the Product and the IEV and is comprised of the expected issuer margin and the Distribution Fee, if such is applicable as stated in the Final Termsheet. The expected issuer margin covers amongst others the costs for the structuring, market making and settlement of the Product and also includes the expected issuer revenues. The Issue Price (including the TER) as well as the bid and offer prices of the Product are calculated based on internal pricing models of the Issuer and/or the Lead Manager or any third party appointed by the Issuer, as applicable.

**"Trading Day"** means any day that is a scheduled trading day of the Related Exchange, subject to the provisions set forth in the section headed 'Market Disruption Events'.

**"Trading Expiration Time"** and/or **"Last Trading Time"** means the time on the Last Trading Day until which the Products can be traded at the Exchange, as specified in the Final Termsheet.

**"Tranche"** means a number of Products that are subject to the same conditions (including further issues pursuant to General Terms and Conditions 25, if any).

**"Trigger Level"**, see the definition of Barrier Level.

**"Unadjusted"** means that the coupon period is not adjusted.

**"Underlying"** means any Underlying Component and/or Underlying, as the case may be, or as specified in the Final Termsheet.

**"Underlying Component"** relating to Products with Commodity Indices as Underlying, means in respect of each physical commodity comprised in the Index, each exchange traded future or exchange traded option contracts for that physical commodity, as determined by the Calculation Agent.

**"Underlying to Deliver"** means (where applicable) a securities paper or instrument as specified in the Final Termsheet that will be delivered to the Investor instead of the respective Underlying, if for instance, the Underlying itself can – based on the assessment of the Issuer or their agents – not be delivered for any reason.

**"Valuation Period"** and/or **"Hedge Period"** means (where applicable) the period specified in the Final Termsheet.

**"Value of the Basket"** means, subject to adjustments, the value of the Basket on the Final Fixing Date, considering the Conversion Ratio and the Weight, as determined by the Calculation Agent in its duly executed discretion (*billiges Ermessen*).

**"Warrants"** mean Call Warrants and Put Warrants, as specified in General Terms and Conditions 6.

**"Weight"** means for each basket of Shares, Indices or any other Underlyings, the weight specified for such Underlyings or Underlying Components, as specified in the Final Termsheet.

## 2. STATUS

The Products constitute unsubordinated and unsecured obligations of the Issuer and the Guarantor and rank *pari passu* with each and all other current and future unsubordinated and unsecured obligations of the Issuer and the Guarantor.

Collateralization, as further described in sections "Collateral Secured Instruments (COSI)" and "Triparty Collateral Management Secured Structured Products (TCM)" herein, eliminates the credit risk of the Issuer and the Guarantor only to the extent that the proceeds from the liquidation of collateral upon occurrence of a Liquidation Event (less the costs of liquidation and payout) are able to meet the Investors' claims. The Investor bears the following risk, among others: the market risk associated with the collateral results in insufficient liquidation proceeds or, in extreme circumstances, the collateral might lose its value entirely until the liquidation can take place. The costs for the COSI service provided by SIX Swiss Exchange resp. for the TCM service provided by SIX SIS AG with respect to the collateralization of the Products may be taken into account for the pricing of a specific Product and may therefore be borne by the Investors, as the case may be. With regard to the payment of the pro-rata share of the net liquidation proceeds the Investor shall bear the solvency risks of SIX Swiss Exchange resp. SIX SIS AG and the financial intermediaries along the payout chain. The payment to the Investors may be delayed for factual or legal reasons. To the extent the calculation of the current value of Products proves to be incorrect, the collateralization of the Products may be insufficient.

There is no principal protection in relation to the Products (unless specified in the Final Termsheet).

### 3. FORM OF DEED

Each Series of Products will (as specified in the Final Termsheet) at all times be issued or represented in the form of

- (i) **a permanent global certificate** (Globalurkunde) (the "**Global Certificate**") in bearer form which shall be deposited by the Paying Agent with the Clearing System. Once the Global Certificate is deposited with the Clearing System and entered into the accounts of one or more participants of the Clearing System, the Products will constitute intermediated securities (Bucheffekten) ("Intermediated Securities") in accordance with the provisions of the Swiss Federal Intermediated Securities Act (Bucheffektengesetz).

Each Investor shall have a quotal co-ownership interest (Miteigentumsanteil) in the Global Certificate to the extent of his claim against the Issuer, provided that for so long as the Global Certificate remains deposited with the Clearing System the co-ownership interest shall be suspended and the Products may only be transferred by the entry of the transferred Products in a securities account of the transferee, as set out in the provisions of the Swiss Federal Intermediated Securities Act (Bucheffektengesetz) regarding the transfer of Intermediated Securities.

Neither the Issuer nor the Investors shall at any time have the right to effect or demand the conversion of the Global Certificate into, or the delivery of, uncertificated securities (Wertrechte) or definitive security papers (Wertpapiere) (the "Security Papers").

The records of the Clearing System will determine the number of Products held through each participant in that Clearing System. In respect of the Products held in the form of Intermediated Securities, the holders of the Products will be the Investors, i.e. (i) the persons, other than intermediaries (Verwahrungsstellen), holding the Products in a securities account (Effektenkonto) with an intermediary (Verwahrungsstelle) and (ii) the intermediaries (Verwahrungsstellen) holding the Products for their own account.

No physical delivery of the Products shall be made unless and until definitive Security Papers shall have been printed. Products may only be printed, in whole, but not in part, if the Paying Agent determines, in its sole discretion, that the printing of the Security Papers is necessary or useful.

Should the Paying Agent so determine, it shall provide for the printing of definitive Security Papers without cost to the Investors. If printed, the Security Papers shall be executed by affixing thereon the facsimile signatures of two authorized officers of the Issuer. Upon delivery of the Security Papers, the Global Certificate will immediately be cancelled by the Paying Agent and the Security Papers shall be delivered to the Investors against cancellation of the Products in the Investors' securities accounts.

- (ii) **uncertificated securities** (Wertrechte) (the "**Uncertificated Securities**") which will be created by the Issuer by means of a registration in its register of uncertificated securities

(Wertrechtbuch) (the "**Register of Uncertificated Securities**"). Such Uncertificated Securities will then be entered into the main register of the Clearing System (Hauptregister) (the "**Main Register of the Clearing System**"). Once the Uncertificated Securities are registered in the Main Register of the Clearing System and entered into the accounts of one or more participants of the Clearing System, the Products will constitute intermediated securities (Bucheffekten) ("**Intermediated Securities**") in accordance with the provisions of the Swiss Federal Intermediated Securities Act (Bucheffektengesetz).

So long as the Products remain registered with the Clearing System, the Products may only be transferred or otherwise disposed of in accordance with the provisions of the Swiss Federal Intermediated Securities Act (Bucheffektengesetz), i.e., by the entry of the transferred Products in a securities account of the transferee.

Neither the Issuer nor the Investors shall at any time have the right to effect or demand the conversion of the Uncertificated Securities into, or the delivery of, a permanent global certificate (Globalurkunde) or definitive Security Papers.

The records of the Clearing System will determine the number of Products held through each participant in the Clearing System. In respect of the Products held in the form of Intermediated Securities, the holders of the Products will be the Investors, i.e. (i) the persons, other than intermediaries (Verwahrungsstellen), holding the Products in a securities account (Effektenkonto) with an intermediary (Verwahrungsstelle) and (ii) the intermediaries (Verwahrungsstellen) holding the Products for their own account. For purposes of the exercise of the Products the Paying Agent may assume that the bank or financial intermediary submitting the exercise notice to it has been duly authorized by the respective Investor for these purposes.

No physical delivery of the Products shall be made unless and until definitive Security Papers (Wertpapiere) shall have been printed. Products may only be printed, in whole, but not in part, if the Paying Agent determines, in its sole discretion, that the printing of the Security Papers is necessary or useful.

Should the Paying Agent so determine, it shall provide for the printing of definitive Security Papers without cost to the Investors. Upon delivery of the Security Papers, the Uncertificated Securities will immediately be cancelled by the Issuer and the Security Papers shall be delivered to the Investors against cancellation of the Products in the Investor's securities accounts.

So long as the Products remain registered with the Issuer's / Paying Agent's internal or other accounts, the Products may only be transferred or otherwise disposed of in accordance with the provisions of the Swiss Federal Intermediated Securities Act (Bucheffektengesetz), i.e., by the entry of the transferred Products in a securities account of the transferee with the Issuer / Paying Agent.

Neither the Issuer nor the Investor shall at any time have the right to effect or demand the conversion of the **non transferrable booking entries (the "NTBE's")** into, or the delivery of, a permanent global certificate (Globalurkunde) or definitive Security Papers (Wertpapiere).

In respect of the Products held in the form of NTBE's, the holders of the Products will be the Investors, i.e. the persons holding the Products in a securities account (Effektenkonto) with the Issuer / Paying Agent.

(iii) any other means, as stated in the Final Termsheet.

#### **4. TRANSFER OF PRODUCTS**

Transactions in (including transfer of) the Products may only be effected through the relevant Clearing System in or through which the Products are held and are to be held and/or through the relevant Securities Account Holder. Title will pass upon registration of the transfer into the books of the relevant Clearing System and/or of the relevant Securities Account Holder.

#### **5. STYLE OF PRODUCTS**

##### **5.1 American Style Warrants or European Style Warrants**

*These General Terms and Conditions 5.1 are applicable only in relation to Warrants.*

The Final Termsheet will indicate whether the Warrants are American Style Warrants or European Style Warrants, all as described as follows:

American Style Warrants are exercisable on any Business Day during the Exercise Period in accordance with the procedure described in General Terms and Conditions 7 as supplemented by the provisions of the Final Termsheet.

European Style Warrants are exercisable on the Expiration Date in accordance with the procedure described in General Terms and Conditions 7 as supplemented by the provisions of the Final Termsheet.

##### **5.2 Fixed-end Products or open-end Products**

*These General Terms and Conditions 5.2 are applicable only in relation to Structured Products.*

The Final Termsheet will indicate whether the Structured Products are Fixed-end Products or Open-end Products, all as described as follows:

Fixed-end Products expire on the Expiration Date specified as such in the Final Termsheet. Unless otherwise specified in the Final Termsheet, they are automatically redeemed on the Redemption Date. If specified in the Final Termsheet Fixed-end Products are redeemable by their Investors on the date(s) prior to the Redemption Date ("**Early Redemption Date(s)**") specified in the Final Termsheet in accordance with General Terms and Conditions 8, or, if any such Early Redemption Date is not a Business Day, the next following date that is a Business Day.

Open-end Products have no fixed maturity. The Issuer has the right to call and the Investor has the right to redeem Open-end Products in accordance with the procedure described in General Terms and Conditions 8 on any Early Redemption Date or Redemption Date, respectively, specified in the Final Termsheet, or, if any such Early Redemption Date or Redemption Date is not a Business Day, the next following date that is a Business Day.

## 6. CALL WARRANTS OR PUT WARRANTS

*These General Terms and Conditions 6 are applicable only in relation to Warrants.*

The Final Termsheet will indicate whether the Warrants are call Warrants (the "**Call Warrants**") or put Warrants (the "**Put Warrants**"), all as described as follows:

### 6.1 For Warrants related to a single Share

If the Underlying is a Share, the following shall apply:

The Final Termsheet shall specify whether Call Warrants entitle the Investor upon exercise of the Warrants, to receive:

- (i) the payment of the Redemption Amount (if the Redemption Amount is a positive amount);
- (ii) at the option of the Issuer, the payment of the Redemption Amount (if the Redemption Amount is a positive amount), or the delivery of the number of Shares to which the Warrants being exercised by the Investor relate against payment of the Strike Level multiplied by the number of Shares to be delivered (according to the Conversion Ratio); or
- (iii) in the case of American Style Warrants, the payment of the Redemption Amount (if the Redemption Amount is a positive amount) if the Warrants are automatically exercised on the Expiration Date pursuant to General Terms and Conditions 7.2, or the delivery of the number of Shares to which the Warrants being exercised by the Investor relate to against payment of the Strike Level multiplied by the number of Shares to be delivered (according to the Conversion Ratio) if the Warrants are exercised by the Investor during the Exercise Period.

The Final Termsheet shall specify whether Put Warrants entitle the Investor upon exercise of the Warrants, to receive:

- (i) the payment of the Redemption Amount (if the Redemption Amount is a positive amount);
- (ii) at the option of the Issuer, the payment of the Redemption Amount (if the Redemption Amount is a positive amount), or the payment of the Strike Level multiplied by the number of Shares to be delivered by the Investor (according to the Conversion Ratio) against delivery of the number of Shares to which the Warrants being exercised relate; or
- (iii) in the case of American Style Warrants, the payment of the Redemption Amount (if the Redemption Amount is a positive amount) if the Warrants are automatically exercised on the Expiration Date pursuant to General Terms and Conditions 7.2, or the payment of the Strike Level multiplied by the number of Shares to be delivered by the Investor against delivery of the number of Shares to which the Warrants being exercised relate to (according to the Conversion Ratio) if the Warrants are exercised by the Investor during the Exercise Period.

## 6.2 For Warrants related to any Underlying other than a single Share

If the Underlying is a Basket of Shares, an Index or a Basket of Indices or any other Underlying than a single Share or a derivative contract, the following shall apply:

Call Warrants entitle the Investor upon exercise of the Warrants to receive the payment of the Redemption Amount (if the Redemption Amount is a positive amount).

Put Warrants entitle the Investor upon exercise of the Warrants to receive the payment of the Redemption Amount (if the Redemption Amount is a positive amount).

## 7. EXERCISE OF WARRANTS

*These General Terms and Conditions 7 are applicable only in relation to Warrants.*

### 7.1 Minimum and maximum number of Warrants exercisable

#### (i) Minimum number of Warrants exercisable

The minimum number of Warrants exercisable by any Investor on any Exercise Date will be specified in the Final Termsheet (the "**Minimum Exercise Number**"). Any Exercise Notice which purports to exercise Warrants in an amount less than the relevant Minimum Exercise Number shall be void and of no effect.

#### (ii) Maximum number of Warrants exercisable (in the case of American Style Warrants)

In the case of American Style Warrants, if the Paying Agent determines that the number of Warrants being exercised on any Exercise Date other than the Expiration Date exceeds the maximum exercise number, as specified in the Final Termsheet (the "**Maximum Exercise Number**"), the Issuer may deem the Exercise Date for the first Maximum Exercise Number of such Warrants to be such day and the Exercise Date for each additional Maximum Exercise Number of such Warrants to be each of the succeeding Business Days until all such Warrants have been attributed with an Exercise Date, provided, however, that the deemed Exercise Date for any such Warrants which would thereby fall after the Expiration Date shall fall on the Expiration Date. In any case where the number of Warrants exercised on any Exercise Date exceeds the Maximum Exercise Number, the order of settlement shall be chronological, i.e., in the order of receipt of the relevant Exercise Notices. The Issuer may, at any time, in its duly executed discretion (*billiges Ermessen*), accept more Warrants than the Maximum Exercise Number for exercise on any Exercise Date.

### 7.2 Automatic Exercise

The Final Termsheet may specify that Warrants are automatically exercised on the Expiration Date. Then:

- (i) the Investor will not need to deliver an Exercise Notice or to take any other action, unless otherwise specified in the Final Termsheet; and
- (ii) Warrants shall automatically be exercised on the Expiration Date if the Redemption Amount

is a positive amount.

Warrants automatically exercised only allow for the payment of the Redemption Amount.

### **7.3 Exercise Notice**

Save in the case of automatic exercise of the Warrants on the Expiration Date, Warrants may only be exercised by an Investor on such day(s) as provided in General Terms and Conditions 5.1 by delivery of a duly completed and signed Exercise Notice to the Paying Agent not later than 12:00 noon (Zurich time) on the relevant Exercise Date or Expiration Date, as the case may be (for Underlying listed in Asia the next following Business Day will be treated as the Exercise Date). If the duly completed Exercise Notice is received by the Paying Agent (i) on a Business Day after 12:00 noon (Zurich time), (ii) on a day which is not a Business Day, then such Exercise Notice shall be deemed to have been received on the next following Business Day (for Underlying listed in Asia the second following Business Day will apply), which Business Day shall be the Exercise Date, subject to such Business Day being not later than the Expiration Date.

Any Exercise Notice received by the Paying Agent on any Exercise Date, which is not duly completed, shall be deemed to be null and void, and a new duly completed Exercise Notice must be submitted if exercise of the Investors is still desired.

If the Final Termsheet specifies that the Warrants will not be exercised automatically on the Expiration Date, any Warrant which has not been exercised and with respect to which an Exercise Notice has not been duly completed, delivered and received in the manner set out in these General Terms and Conditions 7 at or before 12:00 noon (Zurich time) on the Expiration Date shall become null and void.

### **7.4 Form of Exercise Notice**

The Exercise Notice shall be in the form as may be agreed by the Issuer and the Paying Agent (and which is available at the specified office of the Paying Agent), and must:

- (a) specify the name and address of the Investor in respect of the Warrants being exercised;
- (b) specify the number of Warrants of the relevant Series being exercised by the Investor (which must not be less than the Minimum Exercise Number);
- (c) specify the number of the account at the relevant Clearing System to be debited with the Warrants being exercised and irrevocably instruct, or, as the case may be, confirm that the Securities Account Holder has irrevocably instructed, the relevant Clearing System to debit the Securities Account Holder's account with the Warrants being exercised and credit the same to the account of the Paying Agent;
- (d) specify the number of the account at the relevant Clearing System to be credited with the Redemption Amount for the Warrants being exercised; or, as the case may be, specify the number of the account with the relevant Clearing System to be credited with the relevant Shares or the delivery details for such Shares;
- (e) include an irrevocable undertaking to the Issuer and the Paying Agent, acting on the

Issuer's behalf, to pay any applicable taxes and duties due by reason of exercise of the relevant Warrants, and an authority to the Issuer and the Paying Agent and, in case of unlisted Warrants, the relevant Clearing System (if other than SIS) to deduct an amount in respect thereof from any Redemption Amount due to such Investor or otherwise (on, or at any time after, the Redemption Date) and to debit a specified account of the Investor with an amount in respect thereof;

- (f) certify that the Investor is not a U.S. Person and that the Warrants are not being exercised on behalf of a U.S. Person; and
- (g) specify such other details as the relevant Final Termsheet may require.

## **7.5 Determination**

Upon receipt of an Exercise Notice from an Investor, the Paying Agent shall review each Exercise Notice received in order to ensure that it has been duly completed and that all requirements for a valid exercise of the Warrants have been complied with.

If, in the determination of the Paying Agent:

- (a) the Exercise Notice is incomplete or not in proper form; or
- (b) sufficient Warrants or sufficient funds equal to any applicable taxes and duties and the aggregate Strike Level (if any) are not available in the specified account(s) with the relevant Clearing System on the Exercise Date;

that Exercise Notice will be treated as null and void and a new duly completed Exercise Notice must be submitted if exercise of the Investor's Warrants is still desired.

Any determination by the Paying Agent as to any of the matters set out in these General Terms and Conditions 7.5 shall, in the absence of manifest error or wilful misconduct, be conclusive and binding upon the Issuer, the Investor and the beneficial owner of the Warrants exercised.

## **7.6 Delivery of Underlying or cash settlement at Issuer's choice of Warrants related to a Share**

In the case of Warrants related to a Share in respect of which the Final Termsheet provides that the Issuer can elect Cash Settlement or Delivery of Underlying, the Issuer shall notify the Paying Agent of its choice of delivering or acquiring Shares or paying the corresponding Redemption Amount (if the Redemption Amount is a positive amount) not later than 10:00 a.m. (Zurich time) on the second Business Day following the Exercise Date, and the Paying Agent shall cause the same to be notified to the relevant Clearing System and/or the relevant Securities Account Holder accordingly.

## **7.7 Effect of Exercise Notice**

Delivery of an Exercise Notice shall constitute an irrevocable election and undertaking by the relevant Investor to exercise the Warrants in accordance with these General Terms and Conditions and, in the case of delivery of the Underlying (for the Call Warrants related to a Share), in case of a Call Warrant to pay an amount equal to the Strike Level multiplied by the number of

Shares to which the Warrants being exercised relate (the "**Requisite Amount**") or in case of a Put Warrant to deliver the Shares to which the Warrants being exercised relate and in any case the taxes and duties to the Paying Agent (for the benefit of the Issuer), should the Issuer elect Delivery of the Underlying.

## **7.8 Cash Settlement**

### **(i) Determination and Notification of the Redemption Amount**

The Calculation Agent shall, on the next Business Day following the Final Fixing Date, determine, in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, the Redemption Amount (if any) to be paid in respect of the Warrants being exercised.

### **(ii) Cash Settlement on the Redemption Date**

Prior to the Redemption Date, the Issuer shall, in respect of the Warrants being exercised, transfer (or cause to be transferred) the Redemption Amount to the Paying Agent, for value on the Redemption Date, and on the Redemption Date the Paying Agent shall, subject to the Warrants being exercised having been transferred and to the payment of the related taxes and duties, if any, having been received, cause an account of the Investor to be credited with such amount for value on the Redemption Date.

## **7.9 Delivery of Underlying**

### **(i) Delivery of Underlying on the Redemption Date**

In respect of Call Warrants which have been exercised and in respect of which the Issuer has elected Delivery of Underlying in accordance with General Terms and Conditions 7.6, subject to the payment of the Requisite Amount (plus any applicable taxes and duties, if any) from the relevant account of the Investor to the relevant account of the Paying Agent (in favor of the Issuer), the Issuer shall, prior to the Redemption Date, deliver or procure the delivery of the relevant number of Shares in respect of each Warrant to the Paying Agent for credit to the account of the Investor specified in the relevant Exercise Notice on the Redemption Date. The Issuer shall be entitled, if it so elects, to divide any Shares to be transferred into such number of lots of such size as it desires to facilitate its delivery obligations.

In respect of Put Warrants which have been exercised and in respect of which the Issuer has elected Delivery of Underlying in accordance with General Terms and Conditions 7.6, subject to the delivery of the relevant number of Shares in respect of each Warrant to the Paying Agent for credit to the account of the Issuer, the Issuer shall, prior to the Redemption Date, transfer (or cause to be transferred) the Requisite Amount (less any applicable taxes and duties, if any) to the Paying Agent, for value on the Redemption Date, and on the Redemption Date the Paying Agent shall, subject to the relevant number of Shares having been transferred, cause an account of the Investor to be credited with such amount for value on the Redemption Date.

**(ii) Settlement Disruption**

If a Settlement Disruption has occurred and is continuing on the last day of the Delivery Period, the Issuer shall in respect of the Warrants being exercised, in lieu of delivering the number of Shares to which these Warrants relate, pay as soon as commercially possible the Redemption Amount and, for the calculation of the Redemption Amount, the Final Fixing Date shall be determined by the Calculation Agent its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice.

Such Redemption Amount shall be determined on the basis of the Fair Market Value of the Share on such Final Fixing Date. The Issuer shall pay the corresponding Redemption Amount (if any) to the Investor as soon as commercially possible in accordance with established market practice.

**(iii) Fractions of Shares**

No fraction of Share will be transferred by the Issuer and, accordingly, payment to the Investor shall be made by the Issuer in lieu of such fraction of Share calculated by reference to the Redemption Amount.

Warrants exercised at the same time by the same Investor will not be aggregated for the purpose of determining the number of Shares to which such Warrants relate.

**7.10 Dividends**

*These General Terms and Conditions 7.10 are applicable only in relation to Warrants related to a Share and to Warrants related to a Basket of Shares.*

In the case of any exercised Warrants, in the event that the relevant Company has declared a dividend in respect of its Shares and the first date on which such Shares are quoted ex-dividend on the Related Exchange falls after the relevant Exercise Date but (a) in the case of Cash Settlement, on or prior to the relevant Final Fixing Date (except where the Final Fixing Date is the Exercise Date) or (b) in the case of Delivery of Underlying, on or prior to the Redemption Date, then, as the case may be:

- (i) in the case of Cash Settlement, the Redemption Amount related to such Share shall be increased by a cash amount equal to such dividends attributable to such Share less the amount equal to the value of any related tax credit(s); or
- (ii) in the case of Delivery of Underlying for Call Warrants related to a Share, the Investor will be entitled to receive a cash amount equal to such dividends attributable to the number of Shares to which such Warrants relate on the relevant Redemption Date less the amount equal to the value of any related tax credit(s).

All Shares delivered upon exercise of the Warrants shall be fully-paid up Shares and shall entitle the holders thereof to participate in full in all dividends and other distributions paid or made on the Shares after the delivery thereof.

## **8. REDEMPTION OF STRUCTURED PRODUCTS**

*These General Terms and Conditions 8 are applicable only in relation to Structured Products.*

### **8.1 Minimum and maximum number of Structured Products redeemable**

#### **(i) Minimum number of Structured Products redeemable**

The minimum number of Structured Products redeemable by any Investor on any Redemption Date will be specified in the Final Termsheet. Any Redemption Notice which purports to redeem Structured Products in an amount less than the relevant Minimum Trading Lot shall be null and void and of no effect.

#### **(ii) Maximum number of Structured Products redeemable (in the case of Open-end Products redeemable on an Early Redemption Date)**

In the case of Structured Products redeemable on an Early Redemption Date, if the Paying Agent determines that the number of Structured Products being redeemed on any Redemption Date exceeds the maximum redemption number, as specified in the Final Termsheet (the "**Maximum Redemption Number**"), the Issuer may deem the Redemption Date for the first Maximum Redemption Number of such Structured Products to be the Early Redemption Date and the Redemption Date for each additional Maximum Redemption Number of such Structured Products to be each of the succeeding Business Days until all such Structured Products have been attributed with a Redemption Date, provided, however, that the deemed Redemption Date for any such Structured Products which would thereby fall after the Redemption Date shall fall on the Redemption Date. In any case where the number of Structured Products redeemed on any day exceeds the Maximum Redemption Number, the order of settlement shall be chronological, i.e. in the order of receipt of the relevant Redemption Notices. The Issuer may, at any time, in its duly executed discretion (*billiges Ermessen*), accept more Structured Products than the Maximum Redemption Number for redemption on any Redemption Date.

### **8.2 Automatic Redemption**

Unless previously redeemed, purchased and/or cancelled Fixed-end Products will be redeemed automatically on the Redemption Date, and the settlement will be cash settlement or cash settlement or Delivery of Underlying at the option of the Issuer, as specified in the Final Termsheet.

In relation to Fixed-end Products which are automatically redeemed on the Redemption Date the Investor will not need to deliver a Redemption Notice or to take any other action, unless otherwise specified in the Final Termsheet.

### **8.3 Redemption Notice**

If so specified in the Final Termsheet Products may be redeemed by an Investor at such time and on such day(s) as provided in General Terms and Conditions 5.2 by delivery of a duly completed

and signed Redemption Notice to the Paying Agent not later than 12:00 noon (Zurich time) on any Exchange Business Day during the Exercise Period. Such Exchange Business Day and in case of Products on an Underlying listed in Asia the next following Exchange Business Day, will be treated as the Final Fixing Date, subject to any Market Disruption Event.

Any Redemption Notice received by the Paying Agent, which is not duly completed, shall be deemed to be null and void and a new duly completed Redemption Notice must be submitted if redemption of the Investors Products is still desired.

#### **8.4 Form of Redemption Notice**

The Redemption Notice shall be in the form as may be agreed by the Issuer and the Paying Agent (and which is available at the specified office of the Paying Agent) and must:

- (a) specify the name and address of the Investor in respect of the Structured Products being redeemed;
- (b) specify the number of Structured Products of the relevant Series being redeemed by the Investor (which must not be less than the Minimum Trading Lot);
- (c) specify the number of the account at the relevant Clearing System to be debited with the Structured Products being redeemed and irrevocably instruct, or, as the case may be, confirm that the Securities Account Holder has irrevocably instructed, the relevant Clearing System to debit the Securities Account Holder's account with the Structured Products being redeemed and credit the same to the account of the Paying Agent;
- (d) specify the number of the account at the relevant Clearing System to be credited with the Redemption Amount for the Structured Products being redeemed; or, as the case may be, specify the number of the account with the relevant Clearing System to be credited with the relevant shares or the delivery details for such shares;
- (e) include an irrevocable undertaking to the Issuer and the Paying Agent, acting on the Issuer's behalf, to pay any applicable taxes and duties due by reason of redemption of the relevant Structured Products, and an authority to the Issuer and the Paying Agent and, in case of unlisted Structured Products, the relevant Clearing System (if other than SIS) to deduct an amount in respect thereof from any Redemption Amount due to such Investor or otherwise (on, or at any time after, the Redemption Date) and to debit a specified account of the Investor with an amount or amounts in respect thereof;
- (f) certify that the Investor is not a U.S. Person and that the Structured Products are not being exercised on behalf of a U.S. Person; and
- (g) specify such other details as the relevant Final Termsheet may require.

#### **8.5 Determination**

Upon receipt of a Redemption Notice from an Investor, the Paying Agent shall review each Redemption Notice received in order to ensure that it has been duly completed and that all requirements for a valid redemption of the Structured Products have been complied with.

If, in the determination of the Paying Agent:

- (a) the Redemption Notice is incomplete or not in proper form; or
- (b) sufficient Structured Products or sufficient funds equal to any applicable taxes and duties are not available in the specified account(s) with the relevant Clearing System on the Redemption Date;

that Redemption Notice will be treated as null and void and a new duly completed Redemption Notice must be submitted if redemption of the Investor's Structured Products is still desired.

Any determination by the Paying Agent as to any of the matters set out in these General Terms and Conditions 8.5 shall, in the absence of manifest error or wilful misconduct, be conclusive and binding upon the Issuer, the Investor and the beneficial owner of the Structured Products redeemed.

#### **8.6 Issuer's choice in the case of Delivery of Underlying or cash settlement of Structured Products related to a Share**

In the case of Structured Products related to a Share in respect of which the Final Termsheet provides that the Issuer can elect to deliver the number of Shares to which the Structured Products being redeemed relate or to pay the Redemption Amount, the Issuer shall notify the Paying Agent of its choice of delivering Shares or paying the corresponding Redemption Amount, if any, not later than 10:00 a.m. (Zurich time) on the tenth Business Day prior to the Final Fixing Date and the Paying Agent shall cause the same to be notified to the relevant Clearing System and/or the relevant Securities Account Holder accordingly.

#### **8.7 Effect of Redemption Notice**

Delivery of a Redemption Notice shall constitute an irrevocable election and undertaking by the relevant Investor to redeem the Structured Products in accordance with these General Terms and Conditions.

#### **8.8 Termination of Products by the Issuer**

- (i) Termination of Open-end Products

In the case of Open-end Products the Issuer may, on any Early Redemption Date specified as such in the Final Termsheet, call the Structured Products by announcing the exercise of its termination right in accordance with General Terms and Conditions 22 (Notices).

In addition, the Issuer may terminate any Open-end Products in accordance with General Terms and Conditions 17 and 18.

- (ii) Termination of Fixed-end Products

If applicable, the termination right of the Issuer for Fixed-end Products will be further specified in the Final Termsheet and will be announced in accordance with General Terms and Conditions 22 (Notices).

In addition, the Issuer may terminate any Fixed-end Products in accordance with General Terms and Conditions 17 and 18.

## **8.9 Cash Settlement**

### **(i) Determination and Notification of the Redemption Amount**

The Calculation Agent shall determine as soon as commercially possible, in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, the Redemption Amount (if any) to be paid in respect of the Structured Products being redeemed.

### **(ii) Cash Settlement on the Redemption Date**

Prior to the Redemption Date, the Issuer shall, in respect of the Structured Products being redeemed, transfer (or cause to be transferred) the Redemption Amount to the Paying Agent, for value on the Redemption Date, and on the Redemption Date the Paying Agent shall, subject to the Structured Products being redeemed having been transferred and to the payment of the related taxes and duties, if any, having been received, cause an account of the Investor to be credited with such amount for value on the Redemption Date.

## **8.10 Delivery of Underlying (for Structured Products related to a Share)**

### **(i) Delivery of Underlying on the Redemption Date**

In respect of Structured Products which have been redeemed and in respect of which Delivery of Underlying applies according to General Terms and Conditions 8.6, the Issuer shall, prior to the Redemption Date, deliver or procure the delivery of the relevant number of Shares in respect of each Structured Product to the Paying Agent for credit to the account of the Investor specified in the relevant Redemption Notice on the Redemption Date. The Issuer shall be entitled, if it so elects, to divide any Shares to be transferred into such number of lots of such size as it desires to facilitate its delivery obligations.

### **(ii) Settlement Disruption**

If a Settlement Disruption has occurred and is continuing on the last day of the Delivery Period, the Issuer shall in respect of the Structured Products redeemed, in lieu of delivering the number of Shares to which these Structured Products relate, pay as soon as commercially possible the Redemption Amount and, for the calculation of the Redemption Amount, the Final Fixing Date shall be decided by the Calculation Agent in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice.

Such Redemption Amount shall be determined on the basis of the Fair Market Value of the Share on the Final Fixing Date decided by the Calculation Agent in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice. The Issuer shall pay the corresponding Redemption Amount (if any) to the Investor as soon as commercially possible in accordance with established market practice.

(iii) Fractions of Shares

No fraction of Share will be transferred by the Issuer and, accordingly, payment to the Investor shall be made by the Issuer in lieu of such fraction of Share calculated by reference to the Redemption Amount.

Structured Products redeemed at the same time by the same Investor will not be aggregated for the purpose of determining the number of Shares to which such Structured Products relate.

**8.11 Cash Settlement or Delivery of Underlying prior to the Issue Date**

In cases where a stop loss, early redemption, knock-out or any other event has occurred before the Issue Date that leads to an expiry of the Product, the Cash Settlement or Delivery of Underlying will in any case be on or after the Issue Date i.e. after the initial settlement has been processed successfully, but no later than 5 Business Days following the Issue Date, subject to Market Disruption and Settlement Disruption Event provisions.

**8.12 Dividends**

*These General Terms and Conditions 8.12 are applicable only in relation to Structured Products related to a Share and to Structured Products related to a Basket of Shares.*

Provided that the Investor is entitled to any dividend payments relating to a Share, as stated in the Final Termsheet, and in the event that the relevant Company has declared a dividend in respect of its Shares and the first date on which such Shares are quoted ex-dividend on the Exchange falls (a) in the case of cash settlement, on or prior to the relevant Final Fixing Date (except where the Final Fixing Date is the Redemption Date) or (b) in the case of Delivery of Underlying, on or prior to the Redemption Date, then, as the case may be:

- (i) in the case of cash settlement, the Redemption Amount related to such Share shall, in case such dividend has not been paid out separately, be increased by a cash amount equal to such dividends attributable to such Share less the amount equal to the value of any related tax credit(s); or
- (ii) in the case of Delivery of Underlying for Structured Products related to a Share, the Investor will be entitled to receive a cash amount equal to such dividends attributable to the number of Shares to which such Structured Products relate on the relevant Redemption Date less the amount equal to the value of any related tax credit(s).

All Shares delivered upon redemption of the Structured Products shall be fully-paid up Shares and shall entitle the holders thereof to participate in full in all dividends and other distributions paid or made on the Shares after the delivery thereof.

## 9. MARKET DISRUPTION - RIGHTS ON A MARKET DISRUPTION

### 9.1 For Products related to a Share and a Basket of Shares

*These General Terms and Conditions 9.1 are applicable only in relation to Products related to a Share and Products related to a Basket of Shares.*

#### (a) Market Disruption Event

For the purpose of these General Terms and Conditions 9.1 and unless otherwise specified in the Final Termsheet, "**Market Disruption Event**" means, in respect of a Share but is not limited to, (i) the suspension or material limitation of trading of the Share on the Related Exchange or (ii) the suspension or material limitation of trading of options or futures on such Share on the Futures and Options Exchange, for any reason whatsoever.

For the purposes of this definition (i) a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Related Exchange and (ii) a limitation on trading imposed during the course of a day by reason of movements in price otherwise exceeding levels permitted by the Related Exchange and/or the relevant Futures and Options Exchange will constitute a Market Disruption Event.

#### (b) Rights on a Market Disruption Event

If, in the sole opinion of the Calculation Agent, a Market Disruption Event has occurred and is continuing on a day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, then such day shall be postponed to the next following Exchange Business Day on which there is no such Market Disruption Event. If, in the sole opinion of the Calculation Agent, a Market Disruption Event is continuing, then the respective day relevant for the fixing, observation or valuation of the Underlying will be determined by the Calculation Agent in its duly executed discretion (*billiges Ermessen*).

The Fair Market Value of the Share shall then be determined by the Calculation Agent in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice.

In the case of Products relating to a Basket of Shares, the day relevant for the fixing, observation or valuation of the Underlying for each Share which is not affected by the Market Disruption Event shall be the originally designated Initial Fixing Date, Final Fixing Date or Observation Date, as the case may be, and the Initial Fixing Date, the Final Fixing Date or the Observation Date, as the case may be, for each Share which is affected shall be determined as provided above.

## 9.2 For Products related to an Index and a Basket of Indices

*These General Terms and Conditions 9.2 are applicable only in relation to Products related to an Index and Products related to a Basket of Indices, excluding Commodity Indices.*

### (a) Market Disruption Event

For the purpose of these General Terms and Conditions 9.2 and unless otherwise specified in the Final Termsheet, "**Market Disruption Event**" means, in respect of an Index, but is not limited to the occurrence or existence on a day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, of the following events:

- (i) A suspension or a limitation is imposed on trading in a material number or percentage of the stocks comprising the component stocks of an Index or a limitation on prices for such stocks, it being specified that such number or percentage can be determined in the Final Termsheet and that in the absence of such determination a suspension or limitation of trading in 20 percent or more of that Index capitalization (other than limitations on hours in the conditions provided below) shall be deemed to constitute a Market Disruption Event;
- (ii) a suspension or a limitation is imposed (inter alia by reason of movements in prices exceeding the permitted levels) on trading in any futures or options contracts related to an Index which are traded on the Futures and Options Exchange (except if the Calculation Agent determines that such suspension or limitation shall not constitute a Market Disruption Event).

### (b) Rights on the occurrence of a Market Disruption Event

If the Calculation Agent determines in its duly executed discretion (*billiges Ermessen*) that a Market Disruption Event has occurred and is continuing on a day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, then the respective day relevant for the fixing, observation or valuation of the Underlying shall be postponed until the next following Exchange Business Day on which there is no such Market Disruption Event.

If in the sole opinion of the Calculation Agent a Market Disruption Event is continuing, then the day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, and the value for that Index shall be determined for such date by the Calculation Agent in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice.

In the case of Products relating to a Basket of Indices, the day relevant for the fixing, observation or valuation of the Underlying for each Index which is not affected by the Market Disruption Event shall be the originally designated Initial Fixing Date, Final Fixing Date or Observation Date, as the case may be, and the Initial Fixing Date, Final Fixing Date or Observation Date, as the case may be, for each Index which is affected shall be

determined as provided above.

### **9.3 For Products related to Commodities or a Basket of Commodities**

*These General Terms and Conditions 9.3 are applicable only in relation to Products related to Commodities or a Basket of Commodities.*

#### **(a) Market Disruption Event**

For the purpose of these General Terms and Conditions 9.3 and unless otherwise specified in the Final Termsheet, "**Market Disruption Event**" means, in respect of a Commodity or Basket of Commodities but is not limited to

- (i) (a) the failure of a price source to announce or publish a price/level relevant for the Products; or (b) the temporary or permanent discontinuance or unavailability of such price source;
- (ii) the material suspension or limitation or disruption of trading in the Commodity on the relevant Related Exchange or in futures or options contracts relating to the Commodity on a futures exchange where such contracts are usually traded (including but not limited to limitation due to movements in price exceeding limits permitted by the relevant Related Exchange) or otherwise);
- (iii) the failure of trading to commence, or the permanent discontinuation of trading, (i) in the Commodity on the Related Exchange or (ii) in futures or options contracts relating to the Commodity on a futures exchange where such contracts are usually traded and any other event that disrupts or impairs the ability of market participants in general to effect transactions in, or obtain market values for any relevant Commodity;
- (iv) the occurrence since the Initial Fixing Date of a material change (i) in the formula for or method of calculating the price/level relevant for the Products; or (ii) in the content, composition or constitution of the Commodity or of futures or options contracts relating to the Commodity;
- (v) the imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the Commodity or futures or options contracts relating to the Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or tax authority, if the direct effect of such imposition, change or removal is to raise or lower a relevant price on the Exchange Business Day from what it would have been without such imposition, change or removal.

#### **(b) Rights on the occurrence of a Market Disruption Event**

If the Calculation Agent determines in its duly executed discretion (*billiges Ermessen*) that a Market Disruption Event has occurred and is continuing on a day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, then the respective day relevant for the fixing, observation

or valuation of the Underlying shall be postponed until the next following Exchange Business Day on which there is no such Market Disruption Event.

If in the sole opinion of the Calculation Agent a Market Disruption Event is continuing, then the respective day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, and the value for that Underlying shall be determined for such date by the Calculation Agent in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice.

In the case of Products relating to a Basket of Commodities, the day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, for each Commodity which is not affected by the Market Disruption Event shall be the originally designated Initial Fixing Date, Final Fixing Date or Observation Date, as the case may be, and the Initial Fixing Date, Final Fixing Date or Observation Date, as the case may be, for each Commodity which is affected shall be determined as provided above.

#### **9.4 For Products related to any other Underlying or a Basket of any other Underlyings than those mentioned in General Terms and Conditions 9.1 to 9.3**

*These General Terms and Conditions 9.4 are applicable only in relation to Products related to any other Underlyings than those mentioned in General Terms and Conditions 9.1 to 9.3 and Products related to a Basket of any other Underlyings than those mentioned in General Terms and Conditions 9.1 to 9.3.*

##### **(a) Market Disruption Event**

For the purpose of these General Terms and Conditions 9.4 and unless otherwise specified in the Final Termsheet, "**Market Disruption Event**" means, in respect of any other Underlying than those mentioned in General Terms and Conditions 9.1 to 9.3, but is not limited to, the price or value relevant for the Product not being determined or announced or published or otherwise not being made available on a day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, as determined by the Calculation Agent in its duly executed discretion (*billiges Ermessen*).

##### **(b) Rights on the occurrence of a Market Disruption Event**

If the Calculation Agent determines in its duly executed discretion (*billiges Ermessen*) that a Market Disruption Event has occurred and is continuing on a day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, then the respective day relevant for the fixing, observation or valuation of the Underlying shall be postponed until the next following Exchange Business Day where there is no such Market Disruption Event.

If a Market Disruption Event is continuing, then the respective day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, and the value for that Underlying shall be determined for

such date by the Calculation Agent in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice.

In the case of Products relating to a Basket of any other Underlyings than those mentioned in 9.1 to 9.3, the day relevant for the fixing, observation or valuation of the Underlying, like e.g. the Initial Fixing Date, the Final Fixing Date or any Observation Date, for each Underlying which is not affected by the Market Disruption Event shall be the originally designated Initial Fixing Date, Final Fixing Date or Observation Date, as the case may be, and the Initial Fixing Date, Final Fixing Date or Observation Date, as the case may be, for each Underlying which is affected shall be determined as provided above.

## **10. UNDERLYING ILLIQUIDITY- RIGHTS IF THE UNDERLYING BECOMES ILLIQUID**

*These General Terms and Conditions 10 are applicable to all Products, no matter what type of Underlying they are comprised of.*

### **10.1 Underlying Illiquidity**

For the purpose of these General Terms and Condition 10 and unless otherwise specified in the Final Termsheet, "Underlying Illiquidity" means, in respect of the Underlying but is not limited to, a low (or missing) trading volume in the Underlying or the difficulty to buy and/or sell the Underlying in a short period of time without its price being affected.

### **10.2 Rights upon Underlying Illiquidity**

#### **(a) Expanded bid/offer spreads**

Upon Underlying Illiquidity the Issuer and/or Lead Manager or any third party appointed by the Issuer in its function as Market Maker shall be entitled to temporarily increase the spread between the bid and offer prices of the Product to account for such prevailing market conditions.

#### **(b) Modified Redemption Amount**

If, due to Underlying Illiquidity and after using commercially reasonable efforts, the ability of the Hedging Entity to unwind or dispose of any hedging transaction(s) or asset(s) is limited or impaired and therefore such hedging transaction(s) or asset(s) have to be unwound or disposed of over a certain period of time, the relevant redemption amount may be calculated based on the average execution price (less transaction costs) as it was obtained on a best effort basis, as determined by the Calculation Agent, instead of using the originally pre-defined fixing or value of the Underlying (e.g. the official close of the respective Underlying) set out in the Final Termsheet.

#### **(c) Postponed Redemption**

If, due to Underlying Illiquidity and after using commercially reasonable efforts, the Hedging Entity is unable or partially unable, to acquire, unwind or dispose of any hedging transaction(s) or asset(s) or to realise, recover or remit the proceeds of any such hedging transaction(s) or asset(s) by the time originally stated in the Final Termsheet, the payment of the relevant redemption amount or the delivery of the Underlying shall be postponed accordingly by such number of days necessary to account for such prevailing market

conditions. However, the postponed redemption will take place on the 5<sup>th</sup> Business Day following the last day of the relevant period required by the Hedging Entity to acquire, unwind or dispose of the hedging transaction(s) or asset(s) or to realise, recover or remit the proceeds of such hedging transaction(s) or asset(s) latest (subject to Settlement Disruption Event provisions).

## 11. ADJUSTMENTS FOR PRODUCTS RELATED TO A SHARE AND A BASKET OF SHARES

*These General Terms and Conditions 11 are applicable only in relation to Products related to a Share and Products related to a Basket of Shares.*

### 11.1 Adjustments

The Calculation Agent shall, acting in a commercially reasonable manner and in accordance with established market practice, determine whether or not at any time a potential adjustment event has occurred, being an event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares (the "**Potential Adjustment Event**") and where it determines such an event has occurred, the Calculation Agent will, acting in a commercially reasonable manner and in accordance with established market practice determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Share or Basket of Shares and, if so, will make such adjustment as it in its duly executed discretion (*billiges Ermessen*) and in accordance with established market practice considers appropriate, if any, to the Strike Level, the Barrier, the formula for the Redemption Amount and/or the Redemption Amount set out in the Final Termsheet, the number of Underlyings to which each Product relates, the number of shares comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered in respect of such Products and/or any other adjustment and, in any case, any other variable relevant to the exercise, redemption, settlement or payment terms of the relevant Products as the Calculation Agent determines, in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, to be appropriate to account for that diluting or concentrative effect and shall determine, in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, the effective date(s) of such adjustment(s).

### 11.2 Merger Event

- (a) Following the occurrence of any Merger Event, the Issuer will, in its duly executed discretion but in accordance with established market practice, determine whether or not the relevant Products shall continue.
- (b) If the Issuer determines that the relevant Products shall continue, the Calculation Agent may make such adjustment as it, in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, considers appropriate, if any, to the Strike Level, the Barrier, the formula for the Redemption Amount and/or the Redemption Amount set out in the Final Termsheet, the number of Underlyings to which each Product relates, the number of Shares comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered under such Products and, in any case, any other variable relevant to the exercise, redemption, settlement, or payment terms of the relevant Products and/or any other adjustment which change or adjustment shall be effective as

soon as practical after the date upon which all, or substantially all, holders of the Shares (other than, in the case of a takeover, Shares owned or controlled by the offeror) become bound to transfer the Shares held by them.

- (c) If the Issuer determines that the relevant Products shall be terminated, then the relevant Products shall cease to be exercisable or redeemable as of the Merger Date, (or, in the case of any Products which have been exercised or redeemed but remain unsettled, the entitlements of the respective Investors to receive Shares or the Redemption Amount, as the case may be, pursuant to such exercise or redemption shall cease) and the Issuer's obligations under the Products shall be satisfied in full upon payment of the Merger Event Redemption Amount (as defined below).
- (d) For the purposes hereof:

**"Merger Event"** means in respect of any relevant Shares, as determined by the Calculation Agent, acting in a commercially reasonable manner and in accordance with established market practice, any:

- (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer 20 per cent. or more of such Shares outstanding;
- (ii) consolidation, amalgamation or merger of the Company with or into another entity (other than a consolidation, amalgamation or merger in which such Company is the continuing entity and which results in a reclassification or change of less than 20 per cent. of the outstanding Shares); or
- (iii) other takeover offer for such Shares that results in a transfer of or an irrevocable commitment to transfer 20 per cent. or more of such Shares (other than such Shares owned or controlled by the offeror);

in each case if the Merger Date is on or before the Expiration Date.

**"Merger Event Redemption Amount"** means an amount which the Calculation Agent, in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, determines is the Fair Market Value to the Investor with terms that would preserve for the Investor the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Investor would have been entitled under the relevant Product after that date but for the occurrence of the Merger Event.

**"Merger Date"** means, in respect of a Merger Event, the date upon which holders of the requisite number of Shares to constitute a Merger Event have agreed to or have irrevocably become obliged to transfer their Shares.

### 11.3 Nationalization and Insolvency

- (a) If the Calculation Agent, acting in a commercially reasonable manner and in accordance with established market practice, determines that:
  - (i) all the Shares or all the assets or substantially all the assets of the Company are

nationalized, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity ("**Nationalization**"); or

- (ii) by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting the Company (i) all the Shares are required to be transferred to a trustee, liquidator or other similar official or (ii) holders of the Shares become legally prohibited from transferring them ("**Insolvency**"),

then the Issuer may determine, in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, that the relevant Products shall be terminated as of the Announcement Date and it shall pay an amount which the Calculation Agent, in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, determines is the Fair Market Value to the Investor with terms that would preserve for the Investor the economic equivalent of any payment or delivery (assuming satisfaction of each applicable condition precedent) to which the Investor would have been entitled under the relevant Product after that date but for the occurrence of such Nationalization or Insolvency, in which event the Product shall cease to be exercisable or redeemable (or, in the case of any Products which have been exercised or redeemed, the entitlements of the respective Investors to receive Shares or payment of the Redemption Amount, as the case may be, pursuant to such exercise or redemption, shall cease) and the Issuer's obligations under the Products shall be satisfied in full upon payment of such amount.

- (b) For the purposes hereof, "**Announcement Date**" means, as determined by the Calculation Agent in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice: (i) in respect of a Nationalization, the date of the first public announcement of a firm intention, to nationalise (whether or not amended or on the terms originally announced) that leads to the Nationalization; and (ii) in respect of an Insolvency, the date of the first public announcement of the institution of a proceeding or presentation of a petition or passing of a resolution (or other analogous procedure in any jurisdiction) that leads to the Insolvency.

#### 11.4 Delisting

If the Calculation Agent, acting in a commercially reasonable manner and in accordance with established market practice, upon the announcement of the relevant Exchange that pursuant to the rules of such Exchange, the Share ceases (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason and is not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange ("**Delisting**") then the Issuer may determine, in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, that the relevant Products shall be terminated and it shall pay an amount which the Calculation Agent, in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice, determines is the Fair Market Value to the Investor. Instead of paying such a cash amount the Issuer is entitled but not obliged to deliver the corresponding number of the respective affected shares (any potential fractional entitlements will be paid in cash).

If in relation to a Basket Component an adjustment is necessary, the Issuer and/or Calculation Agent shall (in addition to the adjustments in relation to each Basket Component) be entitled, but

not obliged to either (i) remove the affected Basket Component from the Basket without replacement (if applicable by implementing correction factors with respect to the remaining Basket Components) or (ii) replace the Basket Component in whole or in part by a new Basket Component (if applicable by implementing correction factors with respect to the Basket Components contained in the Basket) (the "**Successor Basket Component**").

In this case the Successor Basket Component will be deemed to be the Basket Component and any reference in these Conditions to the affected Basket Component, to the extent permitted by the context, shall be deemed to refer to the Successor Basket Component.

#### **11.5 Other Events**

In the case of events other than those described in these General Terms and Conditions 11 which in the sole opinion of the Calculation Agent have an effect equivalent to that of such events, the rules described in these General Terms and Conditions 11 shall apply *mutatis mutandis*.

#### **11.6 Notices of Adjustment**

The Issuer shall give notice to the Investors in accordance with General Terms and Conditions 22 (Notices) of any modification in the Conditions of the Products under these General Terms and Conditions 11.

### **12. ADJUSTMENTS FOR PRODUCTS RELATED TO AN INDEX OR A BASKET OF INDICES**

*These General Terms and Conditions 12 are applicable in relation to Products related to an Index and Products related to a Basket of Indices, excluding Commodity Indices.*

#### **12.1 Third Party calculates an Index**

In the event that an Index is not calculated by the agreed relevant party (the "**Relevant Party**") but is calculated by another entity which is the successor to the Relevant Party acceptable to the Issuer (the "**Index Third Party**"), the Index Third Party may be substituted to the Relevant Party for the calculation of such Index.

The same provisions will apply in the event that the Index Third Party ceases calculation of that Index but is replaced by another Index Third Party under the same conditions.

In the case of Products relating to a Basket of Indices, the above provisions shall only apply to the relevant Indices and shall not affect the provisions applicable to the Indices which are not affected.

#### **12.2 Third Party announces an Index**

In the event that an Index is not announced by the agreed relevant party (the "**Announcing Party**") but is announced by another entity which is the successor to the Announcing Party acceptable to the Issuer (the "**Announcing Third Party**"), the Announcing Third Party may be substituted to the Announcing Party for the announcement of such Index.

The same provisions will apply in the event that the Announcing Third Party ceases announcement of that Index but is replaced by another Announcing Third Party under the same conditions.

In the case of Products relating to a Basket of Indices, the above provisions shall only apply to the relevant Indices and shall not affect the provisions applicable to the Indices which are not affected.

### 12.3 Modification of calculation or replacement of an Index

In the event that the Relevant Party or the Index Third Party substantially modifies the formula or the method of calculation of an Index or in any other way materially modifies an Index in the event, among others, of changes in constituent stocks or their capitalization, or in the event that the Relevant Party, the Index Third Party, if any, or any competent market authority replaces an Index by a new index to be substituted to that Index, the Issuer may:

- (i) either replace (subject to a favourable opinion of an independent expert designated by the Calculation Agent) that Index by the Index so modified or by the substitute index (as the case may be) multiplied, if need be, by a linking coefficient allowing to ensure continuity in the evolution of the underlying index. In such event, the modified Index or the substitute index (as the case may be) and if need be, the linking coefficient, as well as the opinion of the independent expert, will be notified to the Investors in accordance with General Terms and Conditions 22 (Notices) within the ten Business Days period following the date of modification or substitution of that Index; or,
- (ii) apply the provisions of General Terms and Conditions 12.4.

In the case of Products relating to a Basket of Indices, the provisions of paragraph 12.3(i) above shall only apply to the relevant Indices and shall not affect the provisions applicable to the Indices which are not affected.

### 12.4 Cessation of calculation of an Index or termination of the license agreement

If, for any reason, on or prior to any Final Fixing Date the Relevant Party or the Index Third Party should cease permanently calculation and announcement of an Index and should not provide for a substitute index, or such substitute index cannot or the license agreement between the Relevant Party and the Issuer may be terminated, for any reason, replace that Index, then the Issuer shall:

- (i) in the case of Products related to an Index, terminate its obligations under the Products and pay to each Investor in respect of the Products held by it an amount representing the fair market value of such Products (the "**Fair Market Value**"). The Fair Market Value will be determined by the Calculation Agent in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice.

The Fair Market Value so determined will be notified to the Investors in accordance with General Terms and Conditions 22 (Notices) within the seven Business Days period following the date of determination of the Fair Market Value.

The amount representing the Fair Market Value will be paid to the Investors as soon as practicable within the ten-Business-Day period following the date of determination of the Fair Market Value. For the avoidance of doubt, it is specified that, further to the payment of such Fair Market Value, no other amount shall be due to the Investors.

- (ii) in the case of Products related to a Basket of Indices, at its option, either:

- (i) use in substitution for such Index (the "**Non Retained Index**"), the other Indices included in the Basket of Indices to which such Products relate, *pro rata* their respective value and weight in the Basket of Indices (the "**Retained Index(ices)**"). Such substitution shall take effect as soon as possible after such change or failure. In such case, the value of the Non Retained Index shall be expressed as a number or fraction of a number of the Retained Index(ices) *pro rata* their respective value and weight in the Basket of Indices; or
- (ii) terminate its obligations under the Products and pay to each Investor in respect of the Products held by it an amount representing the fair market value of such Warrants or Structured Products (the "**Fair Market Value**"). The Fair Market Value will be determined by the Calculation Agent in its duly executed discretion (*billiges Ermessen*), but in accordance with established market practice.

The Fair Market Value so determined will be notified to the Investors in accordance with General Terms and Conditions 22 (Notices) within the seven Business Days period following the date of determination of the Fair Market Value.

The amount representing the Fair Market Value will be paid to the Investors as soon as practicable following the date of determination of the Fair Market Value. For the avoidance of doubt, it is specified that, further to the payment of such Fair Market Value, no other amount shall be due to the Investors.

In the case of events other than those described in these General Terms and Conditions 12 which in the sole opinion of the Calculation Agent have an effect equivalent to that of such events, the rules described in these General Terms and Conditions 12 shall apply *mutatis mutandis*.

**13. ADJUSTMENTS FOR PRODUCTS RELATED TO A COLLECTIVE INVESTMENT SCHEME OR A BASKET OF COLLECTIVE INVESTMENT SCHEMES**

*These General Terms and Conditions 13 are applicable in relation to Products related to a Collective Investment Scheme and Products related to a Basket of Collective Investment Schemes.*

The provisions in section 12 apply analogously to Products related to a Collective Investment Scheme or a Basket of Collective Investment Schemes, taking into account the specific adjustments by the Collective Investment Scheme's management and as determined by the Calculation Agent at its duly executed discretion.

**14. ADJUSTMENTS FOR PRODUCTS RELATED TO COMMODITIES OR A BASKET OF COMMODITIES**

*These General Terms and Conditions 14 are applicable in relation to Products related to Commodities and Products related to a Basket of Commodities.*

#### **14.1 Successor entity calculates and reports a fixing level**

If on any relevant Final Fixing Date or Observation Date, either a fixing level is (i) not calculated and announced by the Related Exchange or any other person responsible for such publication or announcement but is calculated and announced by a successor entity acceptable to the Calculation Agent or (ii) replaced by a successor fixing level calculated using, as determined by the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of such fixing level, then in each case, such level as so calculated will be deemed to be the fixing level.

#### **14.2 Correction to published fixing level**

If a fixing level published or announced on a given day and used or to be used by the Calculation Agent to determine a Redemption Amount is subsequently corrected and the correction is published or announced by the Related Exchange or any other person responsible for such publication or announcement by the second Exchange Business Day prior to the date on which any payment is due after the original publication or announcement, such corrected fixing level shall be the fixing level, and the Calculation Agent, to the extent it deems necessary, may determine to make appropriate adjustments to any of the Terms and Conditions of the Product to account for such correction.

### **15. ADJUSTMENTS FOR PRODUCTS RELATED TO ISDA DEFINITIONS**

*These General Terms and Conditions 15 are applicable in relation to Products related to ISDA Definitions.*

The Issuer shall have the right, but not the obligation, to replace and amend the applicable ISDA Definitions, as defined in the relevant Final Termsheet, by any later definitions or supplements published by the International Swaps and Derivatives Association, Inc.

### **16. POSTPONEMENT OF FINAL FIXING DATE RESPECTIVELY OBSERVATION DATE ON THE OCCURRENCE OF A FOREIGN EXCHANGE DISRUPTION EVENT**

If the Calculation Agent determines that on a Final Fixing Date or Observation Date an FX Disruption Event (as defined below) has occurred and is continuing, the date for determination of the FX Rate (as defined below) shall be postponed until the first Business Day on which such FX Disruption Event ceases to exist (the "**FX Establishment Date**") and the Final Fixing Date or the Observation Date in respect of the Products shall be postponed to the Business Day which falls the same number of Business Days after the FX Establishment Date as the Final Fixing Date or Observation Date was originally scheduled to be after the Final Fixing Date or the Observation Date (the "**Postponed Final Fixing Date**" or the "**Postponed Observation Date**").

If an FX Disruption Event (as defined below) has occurred and is continuing on the Postponed Final Fixing Date (including any Final Fixing Date or Observation Date postponed due to a prior FX Disruption Event), then the Postponed Final Fixing Date or Observation Date shall be further postponed until the first Business Day following the date on which such FX Disruption Event

ceases to exist, or to a date as reasonably determined by the Calculation Agent. For the avoidance of doubt, if an FX Disruption Event coincides with a Market Disruption Event or a Settlement Disruption, as the case may be, the provisions of these General Terms and Conditions 15 shall take effect only after such postponements or adjustments have been made as a result of such Market Disruption Event or Settlement Disruption Event in accordance with General Terms and Conditions 8 and, notwithstanding the provisions of General Terms and Conditions 8, the Issuer's payment obligation of the Redemption Amount shall continue to be postponed in accordance with the provisions of these General Terms and Conditions 15.

For the purposes of these General Terms and Conditions 15:

**"FX Disruption Event"** means the occurrence of an event that makes it impossible through legal channels for the Issuer or its affiliates to either:

- (i) convert the Relevant Currency into the Settlement Currency, or
- (ii) deliver the Settlement Currency from accounts within the Relevant Country to accounts outside such jurisdiction, or
- (iii) deliver the Relevant Currency between accounts within the Relevant Country to a person that is a non-resident of that jurisdiction;

**"FX Rate"** means, unless otherwise specified in the relevant Final Termsheet, the exchange rate (determined by the Calculation Agent in good faith and in a commercially reasonable manner) for the sale of Relevant Currency for Settlement Currency on the Final Fixing Date respectively Observation Date or other date on which such exchange rate falls to be determined in accordance with the provisions of these General Terms and Conditions 15 expressed as a number of units of Relevant Currency per unit of Settlement Currency.

**17. TERMINATION AND CANCELLATION DUE TO ILLIQUIDITY, ILLEGALITY, IMPOSSIBILITY, INCREASED COST OF HEDGING, HEDGING DISRUPTION OR INCREASED COST OF COLLATERALIZATION (COSI AND TCM)**

The Issuer shall have the right to terminate the Products if it shall have determined that the Underlying of the relevant Tranche of Products has ceased to be liquid or that compliance by the Issuer with the obligations under the Products or that any arrangements made to hedge the Issuer's obligations shall have become unlawful or impossible in whole or in part, in particular as a result of compliance by the Issuer with any applicable present or future law, rule, regulation, judgement, order, underlying markets or directive of any governmental, administrative, legislative or judicial authority or power or controlling authority or of the relevant competent market authorities or due to Increased Cost of Hedging, Hedging Disruption or Increased Cost of Collateralization in case of collateralized Products, including COSI and TCM Products.

**"Increased Cost of Hedging"** means that the Hedging Entity would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense, fee or other cost (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the Hedging Entity deems necessary to hedge the risk in respect of entering into and performing its obligations under the relevant

Products, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**"Hedging Entity"** means the Issuer or any affiliate(s) of the Issuer or any entity (or entities) acting on behalf of the Issuer engaged in any underlying or hedging transactions in respect of the Issuer's obligations arising from the Products.

**"Hedging Disruption"** means that the Hedging Entity is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the Issuer deems necessary to hedge the risk of entering into and performing its obligations arising from the Products, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s).

**"Increased Cost of Collateralization"** means that the Borrowing Entity would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense, fee or other cost (other than brokerage commissions) to acquire, hold, substitute, maintain of any transaction(s) or asset(s) the Borrowing Entity deems necessary to borrow in order to collateralize the Products (including COSI and TCM Products) provided such collateralization is applicable.

**"Borrowing Entity"** means the Issuer or Collateral Provider or any affiliate(s) of the Issuer or Collateral Provider or any entity (or entities) acting on behalf of the Issuer or Collateral Provider engaged in any underlying or borrowing transactions in respect of the Issuer's obligations arising from the Products.

In such circumstances, the Issuer may cancel/terminate the Products by providing notice to Investors in accordance with General Terms and Conditions 22 (Notices).

If the Issuer terminates Products the Issuer will, if and to the extent permitted by applicable law, pay to each Investor in respect of such Products held by it an amount determined by the Calculation Agent in its duly executed discretion ("billiges Ermessen"), but in accordance with established market practice, as representing the Fair Market Value of such Products immediately prior to such cancellation/termination (notwithstanding any illegality or impossibility). Payment will be made as soon as reasonably possible in such manner as shall be notified to the Investors within period of not less than ten (10) nor more than thirty (30) Business Days in accordance with General Terms and Conditions 22 (Notices). Instead of paying a cash amount corresponding to the Fair Market Value of a Product, the Issuer may – in its duly executed discretion – deliver the Underlying of such Product.

## **18. TAXATION/TAX CALL**

Each Investor shall assume and be responsible for any and all taxes, duties, fees and charges imposed on or levied against (or which could be imposed on or levied against) such Investor in any jurisdiction or by any governmental or regulatory authority.

The Issuer and the Paying Agent shall have the right, but not the duty, to withhold or deduct from any amounts otherwise payable to the Investor such amount as is necessary for the payment of any such taxes, duties, fees and/or charges.

In any case where any governmental or regulatory authority imposes on the Issuer the obligation

to pay any such taxes, duties, fees and/or charges the Investor shall promptly reimburse the Issuer.

The Issuer may redeem all Products in case any present or future taxes, duties or governmental charges would be imposed by any jurisdiction in which the Issuer is or becomes subject to tax as a result of any change in laws or regulations of the relevant jurisdiction. The Issuer shall as soon as practicable notify the Investors of such redemption in accordance with General Terms and Conditions 22 (Notices). For purposes of this Section 18 the Calculation Agent shall determine such Redemption Amount in its sole discretion at fair market value. The amount representing the fair market value will be paid to the Investors as soon as practicable following the date of determination of the fair market value.

## **19. TRADING OF THE PRODUCTS**

The Minimum Trading Lot (or an integral multiple thereof) of Products for trading of such Products will be specified in the Final Termsheet.

## **20. AGENTS**

### **20.1 Paying Agent**

The Paying Agent will be specified in the Final Termsheet.

The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint another paying agent provided that (i), so long as any Products are outstanding, it will maintain a Paying Agent (ii), so long as there are Products listed on the SIX there will be a Paying Agent with a specified office in Switzerland and (iii) no Paying Agent authorized to make any payment or delivery may be located in, or acting from, the United States or its possessions. Notice of any such termination of appointment or appointment and of any change in the specified office of the Paying Agent will be given to the Investors in accordance with General Terms and Conditions 22 (Notices).

The Paying Agent is acting solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Investors.

Any determinations, decisions and calculations by the Paying Agent shall (save in the case of manifest error or wilful misconduct) be final and binding on the Issuer and the Investors.

The Issuer may at any time vary or terminate the appointment of the Paying Agent. It shall give notice to the Investors in accordance with General Terms and Conditions 22 (Notices) of any modification in the appointment of the Paying Agent.

### **20.2 Calculation Agent**

The Calculation Agent will be specified in the Final Termsheet.

The Calculation Agent does not act as agent for the Investors and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Investors.

All calculations, decisions and determinations made by the Calculation Agent shall (save in the case of manifest error or wilful misconduct) be final and binding on the Issuer, the Paying Agent and the Investors.

The Calculation Agent may, with the consent of the Issuer, delegate any of its obligations and functions to a third party, as it deems appropriate.

The Issuer may at any time vary or terminate the appointment of the Calculation Agent. It shall give notice to the Investors in accordance with General Terms and Conditions 22 (Notices) of any modification in the appointment of the Calculation Agent.

### **20.3 Liability**

Neither the Issuer, nor the Calculation Agent nor the Paying Agent shall have any responsibility for any errors or omissions caused by slight negligence in the calculation of any amount or with respect to any other determination or decisions required to be made by it under the Conditions.

## **21. PURCHASE BY THE ISSUER AND/OR THE LEAD MANAGER**

The Issuer and/or the Lead Manager or any of their affiliates may at any time purchase Products of any issue at any price in the open market or otherwise. Such Products may, at the option of the Issuer and/or Lead Manager or, as the case may be, the relevant affiliate, be held, resold or cancelled or otherwise dealt with. No Product that has been exercised or purchased and cancelled may be re-issued.

## **22. NOTICES**

Notices to Investors relating to listed Products will be published in accordance with the regulations of the SIX Swiss Exchange, as in force, on the SIX Swiss Exchange website [www.six-swiss-exchange.com/news/official\\_notices](http://www.six-swiss-exchange.com/news/official_notices), on the relevant Termsheet on the Issuer's website [www.leonteq.com](http://www.leonteq.com) under the section "Products" or, in any other form as permitted by the rules and regulations of the SIX Swiss Exchange.

Notices to Investors relating to the Issuer and/or Guarantor will be published under the section "About us" on the website [www.leonteq.com](http://www.leonteq.com) or regarding the Guarantor on a website specified in the relevant Guarantee Annex.

Notices to Investors of non listed Products may be published, as specified in the applicable Final Termsheet, in newspapers, on a website or otherwise.

## **23. LOSSES**

In no event shall the Issuer have any liability for indirect, incidental, consequential or other damages (whether or not it may have been advised of the possibility of such damages) other than interest until the date of payment on sums not paid when due in respect of any Products or assets not delivered when due. Investors are entitled to damages only and are not entitled to the remedy of specific performance in respect of a Product.

**24. SEVERANCE AND MODIFICATION OF THE PRODUCT DOCUMENTATION INCLUDING THE GENERAL TERMS AND CONDITIONS AND THE FINAL TERMSHEET**

In the event any term or condition is, or becomes invalid, the validity of the remaining terms and conditions shall in no manner be affected thereby.

The Issuer shall be entitled to amend without the consent of the Investors any term or condition for the purpose of a) correcting a manifest error or b) clarifying any uncertainty, or correcting or supplementing the provisions herein in such manner as the Issuer deems necessary or desirable, provided that the Investor does not incur significant financial loss as a consequence thereof.

However, the Issuer shall at all times be entitled to amend any terms or conditions where, and to the extent, the amendment is necessitated as a consequence of legislation, decisions by courts of law, or decisions taken by governmental authorities.

**25. FURTHER ISSUES**

The Issuer shall be at liberty without the consent of the Investors to create and issue further Products, such further Products being assimilated to the Products of any issue, provided that the terms of such Products should provide for such assimilation.

**26. PRESCRIPTION**

Claims for payment in respect of the Products shall be barred by the statute of limitations in accordance with applicable Swiss law, unless made within 10 years from the relevant Redemption Date, and with respect interest, unless made within 5 years from the relevant payment date, and no claims shall be made thereafter.

**27. SUBSTITUTION**

The Issuer may at any time, without the consent of the Investors, substitute for itself as obligor under the Products any affiliate, branch, subsidiary or holding company of the Issuer (the "**New Issuer**") provided that the New Issuer shall assume all obligations that the Issuer owes to the Investors under or in relation to the Products and the Guarantee of the Guarantor is still in force.

The Guarantor may at any time, without the consent of the Investors, substitute for itself as obligor under the Products any affiliate, branch, subsidiary or holding company of the Guarantor (the "**New Guarantor**") provided that the New Guarantor shall assume all obligations that the Guarantor owes to the Investors under or in relation to the Products.

If any of such substitution occurs, then any reference in the Product Documentation to the Issuer shall be construed as a reference to the New Issuer. Any substitution will be promptly notified to the Investors in accordance with General Terms and Conditions "Notices". In connection with any exercise by the Issuer of the right of substitution, the Issuer shall not be obliged to carry any consequences suffered by individual Investors as a result of the exercise of such right and, accordingly, no Investor shall be entitled to claim from the Issuer any indemnification or repayment with respect of any consequence.

**28. SELLING RESTRICTIONS**

No action has been or will be taken by the Issuer or the Lead Manager that would permit a public offering of any Products or possession or distribution of any offering material in relation to any Products in any jurisdiction where action for that purpose is required. No offers, sales, resales, or deliveries of any Products or distribution of any offering material relating to any Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer and/or the Guarantor and/or the Lead Manager.

**29. DISCOUNTS AND REIMBURSEMENTS BY THE ISSUER AND RELATED CONFLICTS OF INTERESTS OF FINANCIAL INSTITUTIONS / REMUNERATION RECEIVED BY THE ISSUER AND/OR THE LEAD MANAGER FROM THIRD PARTIES**

The Issuer and/or the Lead Manager will offer the Products to banks, securities dealers, and other financial intermediaries or institutions (together the "FI"), who buy the Products for purposes of, or with a view to, on-sale such Products to their clients. The Issuer and/or the Lead Manager will offer the Products to FI's (i) at a discount of a) up to 2% p.a. to the Issue Price ("**Relevant Fees**"), b) up to 3.5% p.a. to the Issue Price ("**Significant Fees**"), c) more than 3.5% p.a. to the Issue Price ("**Substantial Fees**") (as may be determined in the Final Termsheet) or d) with a fee explicitly specified in the Final Termsheets, or (ii) at the Issue Price but reimbursing an amount of a) up to 2% p.a. of the Issue Price ("**Relevant Fees**"), b) up to 3.5% p.a. of the Issue Price ("**Significant Fees**") or c) more than 3.5% p.a. of the Issue Price ("**Substantial Fees**") (as may be determined in the Final Termsheet) or d) with a fee explicitly specified in the Final Termsheets to the FI, meaning that if and to the extent such discount or reimbursement, on the basis of statutory law, would have to be forwarded by the FI to the Investor, each Investor hereby takes note and unconditionally waives any right in respect of such discount or reimbursement and accepts that the FI may retain and keep such discount or reimbursement. Further information is available from the Issuer, the Lead Manager or the FI.

In addition, for certain services rendered and in order to increase quality and services relating to Products issued by the Issuer, the Issuer and/or the Lead Manager may pay trailer fees to distribution partners. The individual rates will be specified in the Final Termsheets. If and to the extent such trailer fees, on the basis of statutory law, would have to be forwarded by the FI to the Investor, each Investor hereby takes note and unconditionally waives any right in respect of such trailer fees and accepts that the FI may retain and keep such trailer fees.

Potential Investors should be aware that such discounts, reimbursements and trailer fees may, depending on the circumstances, cause potential conflicts of interests at the FI; FI are obliged, however, to implement organizational measures designed to prevent that such potential conflicts of interest may adversely affect the interests of their clients.

The Issuer and/or the Lead Manager may receive remuneration, discounts, and/or soft-commissions (the "**Retrocessions**") in the range of up to overall 2% p.a. of the Issue Price from third parties, in particular from the issuers, managers or lead managers of financial products or indexes that serve as Underlyings. If and to the extent such Retrocessions, on the basis of statutory law, would have to be credited to the Product or forwarded to the Investor, each Investor hereby takes note and unconditionally accepts that the Issuer and/or the Lead Manager will retain

and keep such Retrocessions. Potential Investors should be aware that such Retrocessions may cause conflicts of interests at the Issuer and/or the Lead Manager and that there are organizational measures in place, designed to reduce the risk that such conflicts of interest adversely affect the interests of Investors. Further information is available from the Issuer or the Lead Manager.

### **30. GOVERNING LAW AND JURISDICTION**

The Products are governed by and shall be construed in accordance with Swiss law (without reference to the principles of conflicts of law).

In relation to any proceedings in respect of the Products, the Issuer irrevocably submits to the jurisdiction of the courts of the Canton of Zurich, place of jurisdiction being Zurich, with the right of appeal to the Swiss Federal Supreme Court in Lausanne where the law permits, and waives any objection to proceedings in such courts whether on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Investors and shall not limit the right of any of them to take proceedings in any court of competent jurisdiction nor shall the taking of proceedings in one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not).

### III COLLATERAL SECURED INSTRUMENTS (COSI)

#### 1. COLLATERALIZATION OF STRUCTURED PRODUCTS THAT ARE COLLATERALIZED IN ACCORDANCE WITH THE TERMS OF THE SIX SWISS EXCHANGE "FRAMEWORK AGREEMENT FOR COLLATERAL SECURED INSTRUMENTS" ("COSI PRODUCTS")

COSI Products are collateralized in accordance with the terms of the SIX Swiss Exchange «Framework Agreement for Collateral Secured Instruments». The Collateral Provider, as defined in the respective Final Termsheet, undertakes to secure the value of the COSI Product at any given time as well as the further claims listed in the Framework Agreement.

Security must be provided to SIX Swiss Exchange in the form of a regular right of lien. The collateral is booked to a SIX Swiss Exchange account with SIX SIS. Investors do not themselves have a surety right to the collateral. The COSI Products and the collateral shall be valued on each banking day. The Collateral Provider shall be obliged to adjust the collateral to any changes in value. Permitted forms of collateral shall be selected by SIX Swiss Exchange on an ongoing basis from various categories of security. The issuer shall, upon enquiry, inform investors about the collateral that is permitted as security for the COSI Product at any given time. The Collateral Provider shall pay SIX Swiss Exchange a fee for the service regarding the collateralization of the COSI Product. A change of Collateral Provider shall be notified in accordance with the provisions of this Programme.

#### 2. DOCUMENTATION

The collateralization in favor of SIX Swiss Exchange is based on the «Framework Agreement for Collateral Secured Instruments» between SIX Swiss Exchange, SIX SIS, and the Issuer (also as the Collateral Provider) dated 10 September 2010 as it relates to the Products issued by Leonteq Securities AG, Zurich and the agreement dated 5 October 2012 as it relates to Products issued by the Branch («Framework Agreement»). The investor is not party to the Framework Agreement. The Framework Agreement constitutes an integral part of this Programme. In the event of any contradiction between the provisions of this Programme and the Framework Agreement, the Framework Agreement takes precedence. The issuer shall, upon request, provide the Framework Agreement to investors free of charge in the original German version or in an English translation. The Framework Agreement may be obtained from Leonteq Securities AG at Brandschenkestrasse 90, Postfach 1686, 8027 Zurich, Switzerland via telephone +41 58 800 1000, fax +41 58 800 1010 or via e-mail [termsheet@leonteq.com](mailto:termsheet@leonteq.com). The core elements of collateralization of the COSI Products are summarized in a SIX Swiss Exchange information sheet, which is available at «[www.six-swiss-exchange.com](http://www.six-swiss-exchange.com)».

### **3. COLLATERALIZATION METHOD**

The collateral that must be furnished by the Collateral Provider is determined by the value of the COSI Product at any given time (hereinafter «Current Value»). The Current Values shall be determined in the trading currency of the COSI Product and converted into Swiss francs for the purpose of calculating the required collateral. The method for calculating the Current Value shall be determined for each COSI Product upon application for (provisional) admission to trading and shall remain unchanged for the entire term of the COSI Product. If prices for the COSI Product calculated by third parties are available (so-called «Fair Values»), they are taken into account when determining the Current Value in accordance with the provisions of the rules and regulations of SIX Swiss Exchange. Otherwise, the determination of the Current Value will take into account the «bond floor pricing», as defined by the Swiss Federal Tax Administration, Berne (Switzerland). For as long as no bond floor is available for a COSI Product that is subject to bond floor pricing, the Current Value shall correspond at least to the capital protection laid down in the redemption terms for the COSI Product. If the final bid-side purchase price of the COSI Product on the previous trading day on SIX Structured Products Exchange AG is higher, the collateral requirement shall always be based on this latter price. If the aforementioned prices for COSI Products are unavailable at any given time, then other prices shall be used to calculate the required collateral, in accordance with the rules and regulations of SIX Swiss Exchange. The Current Values required for the collateralization of the COSI Products shall be determined exclusively in accordance with the provisions of the «Special Conditions for Collateral Secured Instruments» of SIX Swiss Exchange. The Current Value of the COSI Product shall be determined according to either Method A: Fair Value Method or Method B: Bond Floor Method of these Special Conditions of SIX Swiss Exchange, as defined in the listing prospectus.

### **4. DISTRIBUTION AND MARKET MAKING**

The distribution of the COSI Product shall be the responsibility of the issuer. The issuer undertakes to ensure that market making for the COSI Product is in place.

### **5. RISKS**

Collateralization eliminates the issuer default risk only to the extent that the proceeds from the liquidation of collateral upon occurrence of a Liquidation Event (less the costs of liquidation and payout) are able to meet the investors' claims. The investor bears the following risks, among others: (i) the Collateral Provider is unable to supply the additionally required collateral if the value of the COSI Product rises or the value of the collateral decreases; (ii) in a Liquidation Event, the collateral cannot be liquidated immediately by SIX Swiss Exchange because of factual hindrances or because the collateral must be handed over to the executory authorities for liquidation (iii) the market risk associated with the collateral results in insufficient liquidation proceeds or, in extreme circumstances, the collateral might lose its value entirely until the liquidation can take place; (iv) the maturity of COSI Products in a foreign currency according to the Framework Agreement may result in losses for the investor because the Current Value (determinant for the investor's claim against the issuer) is set in the foreign currency, while payment of the pro-rata share of net liquidation proceeds (determinant for the extent to which the investor's claim against the issuer is satisfied) is made in Swiss francs; (v) the collateralization is challenged according to the laws governing debt enforcement and bankruptcy, so that the collateral cannot be liquidated according to the terms of the Framework Agreement for the benefit of the investors in COSI Products.

## **6. LIQUIDATION OF COLLATERAL**

If the Collateral Provider fails to fulfill its obligations, the collateral will be liquidated by SIX Swiss Exchange or a liquidator under the terms of the applicable legal regulations. Collateral may be liquidated («Liquidation Events») if (i) the Collateral Provider fails to furnish the required collateral, fails to do so in due time, or if the collateral that is provided is not free from defects, unless any such defect is remedied within three (3) banking days; (ii) the issuer fails to fulfill a payment or delivery obligation under a COSI Product upon maturity according to the issuing conditions, fails to do so in due time, or if its fulfillment of such obligations is defective, unless any such defect is remedied within three (3) banking days; (iii) the Swiss Financial Market Supervisory Authority FINMA orders protective measures with regard to the issuer or the Collateral Provider under Article 26 paragraph 1 letter (f) to (h) of the Swiss Federal Act on Banks and Savings Banks, or restructuring measures or liquidation (winding-up proceedings) under Article 25 et seq. of the Swiss Federal Act on Banks and Savings Banks; (iv) a foreign financial market supervisory authority, another competent foreign authority or a competent foreign court orders an action that is comparable with that described in item (iii) above; (v) the market making obligation is breached for ten (10) consecutive banking days; (vi) the Collateral Provider's participation at SIX SIS ceases; (vii) the provisional admission of the COSI Product to trading lapses or is cancelled and the issuer fails to satisfy investors' claims within thirty (30) banking days of the lapse or cancellation of the provisional admission; or (viii) the COSI Products are delisted upon application by the issuer or for any other reason, and the issuer fails to satisfy investors' claims within thirty (30) banking days of the last trading day. The Framework Agreement provides for the exact time at which each Liquidation Event occurs. The remedy of a Liquidation Event is not possible.

## **7. DETERMINATION OF A LIQUIDATION EVENT**

SIX Swiss Exchange is not required to undertake investigations with regard to the occurrence of a Liquidation Event. In determining the occurrence of a Liquidation Event, it bases its decision on reliable sources of information only. SIX Swiss Exchange determines with binding effect for the investors whether an incident qualifies as a Liquidation Event and at what point in time the Liquidation Event occurred.

## **8. PROCEDURE IN CASE OF A LIQUIDATION EVENT**

If a Liquidation Event occurs, SIX Swiss Exchange is at its discretion entitled: (i) to make public the occurrence of a Liquidation Event immediately or at a later stage in suitable form, specifically in a newspaper with a national distribution and on the SIX Swiss Exchange website; as well as (ii) to liquidate immediately or at a later stage – without regard to the amount of unsatisfied claims – all existing collateral on a private basis, provided the applicable legal regulations or regulatory orders do not prohibit such private liquidation (and, if a private liquidation is not possible, hand the collateral over to the competent person for liquidation). Once a Liquidation Event has occurred, trading in all COSI Products issued by the issuer may be suspended, and the COSI Products of the issuer may be delisted.

**9. MATURITY OF THE COSI PRODUCTS AS WELL AS INVESTOR CLAIMS AGAINST SIX SWISS EXCHANGE AND THE ISSUER**

All of the issuer's COSI Products under the Framework Agreement shall fall due for redemption thirty (30) banking days after a Liquidation Event has occurred. SIX Swiss Exchange shall make public the due date in a newspaper with a national distribution, as well as on the SIX Swiss Exchange website. Investors' claims against SIX Swiss Exchange for the payment of their pro-rata share of the net liquidation proceeds arise automatically at the time the COSI Products have fallen due for redemption. Investors' claims against SIX Swiss Exchange are based on a genuine contract in favor of third parties (Article 112 paragraph 2 of the Swiss Code of Obligations). The acquisition of a COSI Product by an investor automatically entails the declaration vis-à-vis SIX Swiss Exchange, as described in Art. 112 para. 3 of the Swiss Code of Obligations, that he wishes to enforce his right under the Framework Agreement at maturity of the COSI Product. In dealings with SIX Swiss Exchange and SIX SIS, investors are bound by the provisions of the Framework Agreement, specifically the choice of Swiss law and the exclusive jurisdiction of the Commercial Court of Canton Zurich (Switzerland).

If a Liquidation Event has occurred, SIX Swiss Exchange will determine the Current Values of all COSI Products of the issuer in the respective trading currency. These values shall be binding on the issuer, the Collateral Provider and the investors. Investors' claims against the issuer will be based on these Current Values when the COSI Products mature in accordance with the Framework Agreement. The Current Values of the COSI Products on the banking day immediately preceding the date on which the Liquidation Event occurred shall be applicable. SIX Swiss Exchange shall make public the applicable Current Values of the COSI Products.

**10. COSTS OF LIQUIDATION AND PAYOUT FOR THE BENEFIT OF THE INVESTORS**

The costs incurred in connection with the liquidation and payout (including taxes and duties, as well as consulting fees) shall, in advance, be covered out of the proceeds of the liquidation of the collateral. For this purpose, SIX Swiss Exchange shall deduct a flatrate fee of 0.1 percent of the entire liquidation proceeds for its own expenses and for the expenses of third parties. In addition, SIX Swiss Exchange shall be entitled to satisfy, in advance out of the proceeds of the liquidation of the collateral, any outstanding claims it holds against the Collateral Provider and the issuer under the terms of the Framework Agreement. The remaining liquidation proceeds are available for payout to the investors in COSI Products of the issuer.

SIX Swiss Exchange will transfer the pro-rata share of net liquidation proceeds due to investors to SIX SIS participants. In doing so it is released from all further obligations. The amounts transferred are determined by the holdings of COSI Products that are booked to participant accounts with SIX SIS. If the issuer which, according to the Framework Agreement, is affected by the due redemption of its COSI Product, is a SIX SIS participant, then SIX Swiss Exchange and SIX SIS shall decide on a separate procedure for the payment of the pro-rata share of net liquidation proceeds to those investors who hold their COSI Products via the issuer. SIX Swiss Exchange may transfer the pro-rata share of net liquidation proceeds for these investors to one or more other SIX SIS participants or to one or more third parties, which will attend to the payment to investors in COSI Products either directly or indirectly. In doing so, SIX Swiss Exchange is released from all further obligations. SIX Swiss Exchange may decide at its own discretion to have

the payment of the pro-rata share of net liquidation proceeds for other or all investors in COSI Products conducted by one or more other SIX SIS participants or by one or more third parties.

The payouts to investors are made exclusively in Swiss francs. The claim of the investors is non-interest-bearing. SIX Swiss Exchange is not liable to pay either default interest or damages should the payout be delayed for any reason.

The maximum claim of an investor to satisfaction from the net liquidation proceeds of collateral is determined by the sum of the Current Values of his COSI Products. Should the combined Current Values of all investors in the issuer's COSI Products exceed the net liquidation proceeds, payment of pro-rata shares of net liquidation proceeds to individual investors will be made according to the ratio between the total Current Values held by individual investors and the total Current Values accruing to all investors in COSI Products of the issuer.

In the case of COSI Products in a different trading currency than the Swiss franc, SIX Swiss Exchange shall, with binding effect for the parties to the Framework Agreement and the investors, convert the Current Values into Swiss francs in order to determine the pro-rata share of net liquidation proceeds. The exchange rates according to the regulations of SIX SIS on the banking day immediately preceding the date on which the Liquidation Event occurred, shall be applicable. The conversion of the Current Values of COSI Products of a different trading currency than the Swiss franc pertains only to the amount and the effect of the payout of pro-rata net liquidation proceeds by SIX Swiss Exchange to investors in such COSI Products and shall have no further effect on the relationship between the investor and the issuer. SIX Swiss Exchange shall make public these values of the COSI Products as well as the applicable exchange rates.

The investors' claims against the issuer arising from the COSI Products are reduced by the amount of the payment of the pro-rata net liquidation proceeds. In the case of COSI Products in a different trading currency than the Swiss franc the reduction amount of the claim of the investor against the issuer shall be determined in accordance with the conversion rate of the particular trading currency of the COSI Product to the Swiss franc applicable on the banking day immediately preceding the date on which the Liquidation Event occurred.

No further investor claims exist against SIX Swiss Exchange, SIX SIS or other persons which are involved in the collateralization service for COSI Products under the terms of the Framework Agreement.

## **11. SECONDARY LISTING**

Apart from the primary listing of the COSI Products on SIX Swiss Exchange the issuer may apply for a secondary listing on further exchanges. All aspects and events related to a secondary listing of the COSI Product shall be disregarded under the Framework Agreement. In particular, events which are related to a secondary listing of the COSI Product, such as the suspension of the market making at a secondary exchange or the delisting of the COSI Products from a secondary exchange, shall not be deemed a liquidation event under the Framework Agreement. SIX Swiss Exchange is at its own discretion entitled to make public the occurrence of a liquidation event and the maturity of the COSI Product pursuant to the Framework Agreement in the countries where a secondary listing is maintained as well as to inform the secondary exchanges or any other bodies about such occurrences.

## 12. LIABILITY

The liability of parties to the Framework Agreement to pay damages exists only in cases of gross negligence or intentional misconduct. Further liability is excluded. SIX Swiss Exchange shall only be liable for third parties, which are mandated with the valuation of COSI Products, in case of improper selection and instruction of such third parties. Where the payment of pro-rata shares of net liquidation proceeds of COSI Products is made via SIX SIS participants to the extent these participants hold the COSI Products in accounts at SIX SIS, SIX Swiss Exchange and SIX SIS are liable only for the careful instruction of these SIX SIS participants. If the payment is made via third parties or via SIX SIS participants in respect of COSI Products that are not booked to these participants' accounts at SIX SIS, then SIX Swiss Exchange and SIX SIS are liable only for the careful selection and instruction.

## 13. NO AUTHORIZATION

COSI Products do not constitute collective investment schemes pursuant to the Swiss Federal Act on Collective Investment Schemes (CISA). They do not require authorization and are not subject to supervision by the Swiss Financial Market Supervisory Authority FINMA.

## 14. CONGRUENCE WITH THE PROGRAMME

This section "Collateral Secured Instruments (COSI)" corresponds to the SIX Swiss Exchange standard text. The terms contained herein are incorporated as follows in the Programme:

<b>Term used in this section "Collateral Secured Instruments (COSI)"</b>	<b>Corresponding Programme Definition</b>
issuer	Issuer
investor	Investor
trading day	Exchange Business Day
banking day	Business Day
maturity	Redemption, Redemption Date or Final Fixing Date
redemption	Redemption

The provisions of this section "Collateral Secured Instruments (COSI)" take precedence in the event of contradiction between this section and the other content of the Programme.

#### **IV TRIPARTY COLLATERAL MANAGEMENT SECURED STRUCTURED PRODUCTS (TCM)**

##### **1. COLLATERALIZATION OF STRUCTURED PRODUCTS THAT ARE COLLATERALIZED IN ACCORDANCE WITH THE TERMS OF THE SECURITY AGREEMENT FOR TRIPARTY COLLATERAL MANAGEMENT SECURED STRUCTURED PRODUCTS (TCM)**

The TCM Secured Structured Product (the "Product") is secured in accordance with the terms of the Security Agreement (as defined below). Leonteq Securities AG ("Collateral Provider") undertakes to secure the value of the Product at any given time. Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Final Termsheet of the Product or the Security Agreement respectively.

The owner of the Product ("Collateral Taker") has a surety right to the collateral. Security must be provided to the Collateral Taker in the form of a regular right of lien. The collateral is booked to an account of the Collateral Provider with SIX SIS AG. The Product and the collateral shall be valued on each banking day. The Product will be valued by the Calculation Agent and such calculation will be published by the Calculation Agent on the respective webpage of SIX Financial Information AG. The Collateral Provider shall be obliged to adjust the collateral to any changes in value. Permitted forms of collateral shall be selected by SIX SIS AG on an ongoing basis from various categories of security, among others also the securities that are the direct or indirect underlying's of the Product. The Collateral Provider shall, upon inquiry, inform investors about the collateral that is eligible as security for the Product at any given time.

##### **2. DOCUMENTATION**

The collateralization in favor of the Collateral Takers is based on the "Security Agreement" between the Collateral Provider, the Collateral Taker, represented by SIX SAG AG (the "Collateral Agent"), and SIX SIS AG dated 12 December 2013 ("Security Agreement"). The Security Agreement constitutes an integral part of the Product Documentation governing the Product. In the event of any contradiction between the Product Documentation and the Security Agreement, the Security Agreement takes precedence. The issuer shall, upon request, provide the Security Agreement to investors free of charge. The Security Agreement may be obtained from Leonteq Securities AG, Brandschenkestrasse 90, P.O. Box 1686, CH-8027 Zurich (Switzerland), via telephone (+41-(0)58-800 1000), fax (+41-(0)58-800 1010) or via e-mail (termsheet@leonteq.com).

##### **3. COLLATERALIZATION METHOD**

The collateral that must be furnished by the Collateral Provider is determined by the value of the Product at any given time (hereinafter "Current Value"). The Current Value of the Product is calculated exclusively by, and with full responsibility of, the Collateral Provider in accordance with acknowledged accounting principles but without any independent review. Neither the Collateral Agent, nor SIX SIS AG nor SIX Financial Information AG recalculates or otherwise reviews the calculation of the Current Value. The Current Value is communicated by the Collateral Provider to SIX Financial Information AG which publishes it. SIX SIS AG calculates whether the Coverage Requirements for the collateral on the basis of the Current Value as published by SIX Financial Information AG are met. Neither the Collateral Agent, nor SIX SIS AG nor SIX Financial Information AG shall be liable for any losses or damages suffered by any Collateral Taker as a

consequence of an inaccurate calculation of the Current Value or of an inaccurate communication of such value to SIX Financial Information AG. The Collateral Provider can act as the Calculation Agent. The Calculation Agent shall provide upon demand the method used to calculate the Current Value. The calculation method shall be determined for each Product upon its issuance and shall remain unchanged for its entire term. The collateral provided for a Product will be earmarked for this product and will not secure any other TCM Secured Structured Product.

#### **4. DISTRIBUTION AND MARKET MAKING**

The distribution of the Product shall be the responsibility of the issuer. The bid price published by the Calculation Agent on the respective page of SIX Financial Information AG does neither constitute an offer nor an invitation for an offer to purchase the Product.

#### **5. RISKS**

Collateralization eliminates the issuer default risk only to the extent that the proceeds from the liquidation of collateral upon occurrence of a Realization Event (less the costs of liquidation and payout) are able to meet the investors' claims. The investor bears the following risks, among others: (i) the Collateral Provider is unable to supply the additionally required collateral if the value of the Product rises or the value of the collateral decreases; (ii) in a Realization Event, the collateral cannot be liquidated immediately by the Collateral Agent because of factual hindrances or because the collateral must be handed over to the executory authorities for liquidation (iii) the market risk associated with the collateral results in insufficient liquidation proceeds or, in extreme circumstances, the collateral might lose its value entirely until the liquidation can take place; (iv) the maturity of the Product in a foreign currency according to the Security Agreement may result in losses for the investor because the Current Value (determinant for the investor's claim against the issuer) is set in the foreign currency, while payment of the pro-rata share of net liquidation proceeds (determinant for the extent to which the investor's claim against the issuer is satisfied) may be made in a different currency (v) the collateralization is challenged according to the laws governing debt enforcement and bankruptcy, so that the collateral cannot be liquidated according to the terms of the Security Agreement. The collateralization does not eliminate the risk that there might not be a buyer for the Product during its lifetime and that the investor might have to hold the Product until maturity.

#### **6. LIQUIDATION OF COLLATERAL**

If the Collateral Provider fails to fulfill its obligations, the collateral will be liquidated by the Collateral Agent or a liquidator under the terms of the applicable legal regulations. Collateral may be liquidated ("Realization Events") in particular if (i) the Collateral Provider fails to furnish the required collateral or fails to do so in due time, unless this is remedied within five (5) banking days; (ii) the issuer fails to fulfill a payment or delivery obligation under the Product upon maturity according to the issuing conditions or fails to do so in due time, unless this is remedied within five (5) banking days; (iii) the Swiss Financial Market Supervisory Authority FINMA orders protective measures with regard to the issuer or the Collateral Provider under article 26 paragraph 1 letter (f) or (h) of the Federal Act on Banks and Savings Banks ("Banking Act"), or restructuring proceedings under article 28 et seq. of Banking Act or liquidation (winding-up proceedings) under article 33 et seq. of the Banking Act. The Security Agreement provides for the exact time at which each Realization Event occurs. The remedy of a Realization Event is not possible.

## **7. DETERMINATION OF A REALIZATION EVENT**

The Collateral Agent is not required to undertake investigations with regard to the occurrence of a Realization Event. In determining the occurrence of a Realization Event, it bases its decision on reliable sources of information only. The Collateral Agent determines with binding effect for the investors whether an incident qualifies as a Realization Event and at what point in time the Realization Event occurred.

## **8. PROCEDURE IN CASE OF A REALIZATION EVENT**

If a Realization Event occurs, the Collateral Agent is at its discretion entitled: (i) to make public the occurrence of a Realization Event immediately or at a later stage in suitable form, as well as (ii) to liquidate immediately or at a later stage – without regard to the amount of unsatisfied claims – all existing collateral on a private basis, provided the applicable legal regulations or regulatory orders do not prohibit such private liquidation (and, if a private liquidation is not possible, hand the collateral over to the competent person for liquidation).

## **9. MATURITY OF THE PRODUCT AS WELL AS INVESTOR CLAIMS AGAINST THE ISSUER**

The Realization Event with regard to a specific Product does not trigger the Realization Event of other TCM Secured Structured Products of the issuer. The Collateral Agent will communicate the due date of the Realization Event of a TCM Secured Structured Product. The investor shall have a security interest in accordance with article 25 paragraph 2(b) of the Swiss Federal Intermediated Securities Act ("FISA") over the securities and a pledge according to article 899 et seq. of the Swiss Code of Obligations over the cash provided as collateral to secure the TCM Secured Structured Product. The acquisition of a TCM Secured Structured Product by an investor automatically entails the declaration vis-à-vis the Collateral Agent to accept the Collateral Agent as its representative regarding the Security Agreement and that he wishes to enforce his right under the Security Agreement in the Realization Events mentioned therein. In dealings with the Collateral Agent and SIX SIS AG, investors are bound by the provisions of the Security Agreement, specifically the choice of Swiss law and the exclusive jurisdiction of the Courts of Zurich (Switzerland). If a Realization Event with regard to a Product has occurred, the Collateral Agent will determine as Liquidation Value of such product the last Current Value available prior to the occurrence of the Realization Event. This value shall be binding on the Collateral Provider and the investors. Investors' claims against the issuer will be based on these Current Values when the TCM Secured Structured Products mature in accordance with the Security Agreement.

## **10. COSTS OF LIQUIDATION AND PAYOUT FOR THE BENEFIT OF THE INVESTORS**

Any costs of the Collateral Agent and in connection with the liquidation of the collateral (including fees, taxes and duties) shall, in advance, be covered out of the proceeds of the liquidation of the collateral. In addition, the Collateral Agent shall be entitled to satisfy, in advance out of the proceeds of the liquidation of the collateral, any outstanding claims it holds against the Collateral Provider under the terms of the Security Agreement. The remaining liquidation proceeds are available for payout to the investors in the Product. The pro-rata share of net liquidation proceeds due to investors will be transferred to SIX SIS AG participants on a delivery versus payment basis. In doing so the Collateral Agent is released from all further obligations. The claim of the investors

is non-interest-bearing. The payment to the Investors may be delayed for factual or legal reasons. The Collateral Agent and SIX SIS AG are not liable to pay either default interest or damages should the payout be delayed for any reason. The maximum claim of an investor to satisfaction from the net liquidation proceeds of the collateral earmarked for the Product is determined by its Current Value. Each Product will only be secured by its earmarked collateral. The investors' claims against the issuer arising from the Product are reduced by the amount of the payment of the net liquidation proceeds. No further investors' claims exist against the Collateral Agent, SIX SIS AG or other persons which are involved in the collateralization service for the Product under the terms of the Security Agreement.

#### 11. **LIABILITY**

The liability of the parties to the Security Agreement to pay damages exists only in cases of gross negligence or intentional misconduct. Further liability is excluded.

#### 12. **NO AUTHORISATION**

TCM Secured Structured Products do not constitute collective investment schemes pursuant to the Federal Act on Collective Investment Schemes (CISA). They do not require authorization or supervision by the Swiss Financial Market Supervisory Authority FINMA.

#### 13. **CONGRUENCE WITH THE PROGRAMME**

The information provided in this section "Triparty Collateral Management Secured Structured Products (TCM)" corresponds to the document "Information regarding the TCM Secured Structured Product". The terms contained herein are incorporated as follows in the Programme:

<b>Term used in this section "Triparty Collateral Management Secured Structured Products (TCM)"</b>	<b>Corresponding Programme Definition</b>
issuer	Issuer
investor	Investor
banking day	Business Day
maturity	Redemption, Redemption Date or Final Fixing Date

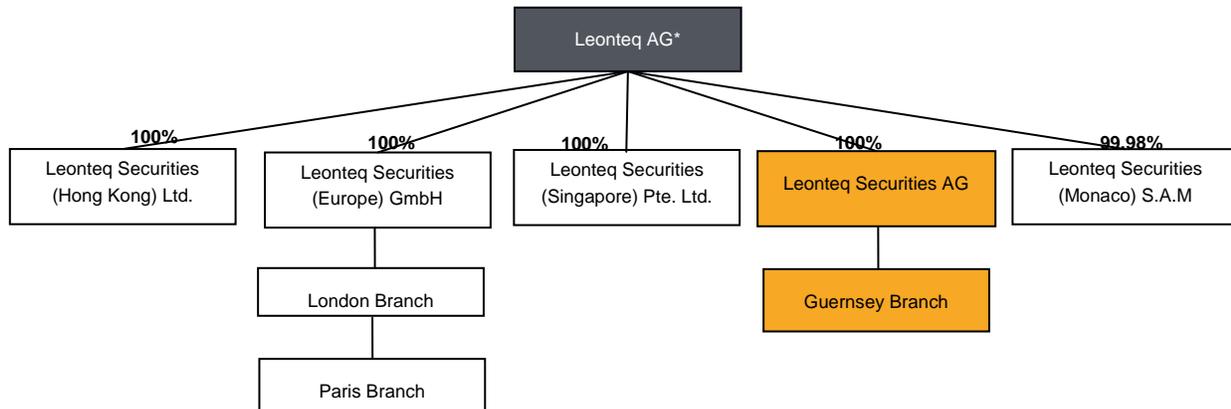
The provisions of this section "Triparty Collateral Management Secured Structured Products (TCM)" take precedence in the event of contradiction between this section and the other content of the Programme.

## V ORGANISATIONAL CHART OF LEONTEQ GROUP

Leonteq Securities AG, formerly EFG Financial Products AG, which may also be acting through its Guernsey branch, Leonteq Securities AG, Guernsey Branch, together with the below depicted group companies, is a fully owned subsidiary of Leonteq AG, formerly EFG Financial Products Holding AG (Leonteq AG together with its subsidiaries the “**Leonteq Group**”). Leonteq AG’s shares are listed on the SIX Swiss Exchange and are held amongst others by Notenstein Private Bank AG, members of the management and employees of Leonteq Group entities.

The below table provides a summary group chart:

### Leonteq Group: Organization Chart



\* Listed on the SIX Swiss Exchange (supervised on a consolidated basis by FINMA).

## VI LEONTEQ SECURITIES AG

### INCORPORATION AND DURATION

Leonteq Securities AG was incorporated and registered as EFG Financial Products AG in Zurich, Switzerland on 24 September 2007 as a stock corporation (*Aktiengesellschaft* or *Société Anonyme*) under article 620 et seq. of the Swiss Code of Obligations for an unlimited duration. As from that day, Leonteq Securities AG is registered in the Commercial Register of the Canton of Zurich, Switzerland, under the number CH-020.3.031.478-9.

### REGISTERED OFFICE

The registered office of Leonteq Securities AG is at Brandschenkestrasse 90, 8002 Zurich, Switzerland, and the general telephone number is +41 58 800 1000. The registered office of the Branch is Block F – 1st Floor, Hirzel Court, St. Peter Port, Guernsey GY1 1GZ, Channel Islands.

### STATUTORY AUDITORS

PriceWaterhouseCoopers SA, Birchstrasse 160, CH-8050 Zurich. The Branch's auditors are PriceWaterhouseCoopers, Royal Bank Place, 1 Glatigny Esplanade, St. Peter Port, Guernsey GY1 4ND.

### PURPOSE

According to Article 2 of the Articles of Association of Leonteq Securities AG (unofficial translation from the German original):

*"The purpose of the company is the structuring, issuance, and distribution of financial products such as structured products and derivatives for own account and for the account of third parties and the market making for such financial products, and the commercial dealing in securities for its own account in connection therewith. The company may also commercially distribute collective investment schemes. The company may provide asset management and investment advisory services for third parties, including collective investment schemes, in Switzerland and abroad as well as administrative services in this connection. The company may provide market making services for collective investment schemes. In addition, the company may commercially deal securities for the account of third parties with or without carrying of client accounts with itself or third parties for execution of the securities dealing. Further, the Company may provide all of the services in connection with the above mentioned activities.*

*The company may take interests in all types of businesses in Switzerland and abroad, in particular in the areas of banking, finance, asset management and insurance. The company has the power to establish new businesses, acquire a majority or minority interest in existing businesses and provide related financing.*

*The company has the power to acquire, mortgage and sell real estate properties, both in Switzerland and abroad."*

## **SHARE CAPITAL**

As at the date hereof, the share capital of Leonteq Securities AG amounts to CHF 15'000'000 divided into 15'000 registered shares with a face value of CHF 1'000 each; the shares are fully paid-in.

The share capital is held in its entirety by Leonteq AG which shares are traded at SIX Swiss Exchange since 19 October 2012.

## **REGULATORY STATUS**

Leonteq Securities AG operates under a securities dealer license granted by the FINMA on December 12, 2007.

## **BUSINESS**

The business activities of Leonteq Securities AG include the development, structuring, distribution, hedging and settlement as well as the market-making and secondary market servicing of structured products, such as certificates, notes, bonds, warrants and other derivative instruments, services it provides also in the context of white labelling cooperations, the design and investment management of certificates and the investment management in relation with variable annuity products. The Issuer therefore distinguishes between three business segments: the Structured Solutions business and the Structured Asset Management & Pension Solutions business and the business division White-labeling & Platform Development.

Leonteq Securities AG distributes financial products (including products issued by its white-labeling partners) either directly to institutional investors or indirectly to retail investors through third party financial intermediaries. Leonteq Securities AG also provides structured asset management and pension solution services to third parties in Switzerland and abroad and provides brokerage services to third parties.

## **BUSINESS OUTLOOK AND RECENT DEVELOPMENTS**

Subject to market conditions, the Issuer plans to further extend its existing product range of certificates, notes, leverage products and other structured products. In addition, the Issuer intends to strengthen its tailor-made business, also taking into consideration further possible asset classes / underlyings. The Issuer also plans to further extend its activities in structured asset management and pension solutions. Leonteq Group aims at strengthening its business activities via locally licensed offices into selected European and Asian markets. The Issuer also intends to further expand its white labelling business to other white labelling partners.

Leonteq AG, the parent company of the Legal Issuer, announced on 2 June 2014 that its wholly-owned subsidiary, Leonteq Securities (Singapore) Pte. Ltd. has been granted a capital markets license by the Monetary Authority of Singapore. The newly granted capital markets license now allows Leonteq Securities (Singapore) Pte. Ltd. to operate as an independent business entity licensed to deal in securities, and to expand its range of products and services under its own name.

Leonteq AG, the parent company of the Legal Issuer, also announced on 7 August 2014 that as a result of its rights offering, a total of 1,296,295 new Leonteq registered shares have been issued and started trading on the SIX Swiss Exchange on 8 August 2014. Leonteq raised net proceeds of approximately CHF 173.1 million from the issue of the new shares.

The business description contained herein is accurate at the date of this Programme.

## **BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT**

### *Board of Directors*

The Board of Directors is responsible for the management of Leonteq Securities AG's business.

Under Swiss company law, the board of directors has the following non-transferable and inalienable duties: (i) overall direction of the company and issuing the necessary directives; (ii) determining the way the company is organized; (iii) appointing and dismissing the persons entrusted with management and representation and determining the method of signature; (iv) ultimate supervision of the persons entrusted with company management; (v) organization of accounting, financial control and financial planning, to the extent that the latter is necessary for management of the company; (vi) drawing up the annual report; (vii) preparing for the general meeting and executing its decisions and (viii) notifying the judiciary should the company become over-indebted. The Board of Directors currently comprises eight members (including the Chairman) all of whom are non-executive directors.

The following table lists the Board of Directors of Leonteq Securities AG:

<b>Name</b>	<b>Position held</b>
Prof. Dr. Peter Forstmoser	Chairman
Adrian Künzi	Director
Pierin Vincenz	Director
Lukas Ruffin	Director
Patrick De Figueiredo	Director
Vincent Arthur Chandler	Director
Dr. Jörg Behrens	Director
Hans Ludwig Isler	Director

### *Executive Committee*

Subject to the organisational regulations of the board of directors and mandatory law, the Board of Directors of Leonteq Securities AG has delegated Leonteq Securities AG's operational management to the Executive Committee. The Executive Committee comprises five executive officers:

<b>Name</b>	<b>Position held</b>
Jan Urs Schoch	Chief Executive Officer (CEO)
Sandro Fabio Dorigo	Head Asset Management & Pension Solutions
Ulrich Christian Sauter	Head of Legal & Compliance, Risk and Human Resources
Manish Patnaik	Chief Operating Officer
Roman Kurmann	Chief Financial Officer

The business address of the directors and executive officers of Leonteq Securities AG is Brandschenkestrasse 90, 8002 Zurich, Switzerland.

#### **MATERIAL CHANGES SINCE DECEMBER 2013**

Save as published or disclosed herein there has been no material change in the financial position of Leonteq Securities AG since the publication of Leonteq Securities AG's annual report for the period ending 31 December 2013.

#### **INCORPORATION BY REFERENCE**

For further information on the Issuer, reference is made to the following documents which have been filed with SIX Swiss Exchange:

- (i) the Annual Report/Financial Statement 2012
- (ii) the Annual Report/Financial Statement 2013

These documents shall also be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document.

*The relevant Guarantee applies only to Products that are issued by the Issuer under this Programme and that are guaranteed by the Guarantor as specified in the respective Guarantee Annex and the respective Final Termsheet.*

## **VII      GUARANTEE**

The Issuer determines to include a Guarantor, if any, in this Programme by the relevant Guarantee Annex. If the Issuer decides to include a Guarantor during the term of this Programme the Issuer will publish an addendum as required by SIX regulations and in accordance with the terms stated in this Programme.

## VIII OFFERING AND SALE

Set out below are the forms of selling restrictions that will apply in respect of Products issued under the Programme unless otherwise amended, supplemented or modified in any particular Final Termsheet.

### SELLING RESTRICTIONS

#### General

No action has been or will be taken by the Issuer, the Guarantor or the Lead Manager that would permit a public offering of any Products or possession or distribution of any offering material in relation to any Products in any jurisdiction where action for that purpose is required. No offers, sales, resales or deliveries of any Products or distribution of any offering material relating to any Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer and/or the Guarantor and/or the Lead Manager.

The Lead Manager will, unless prohibited by applicable law, furnish to each person to whom it offers or sells Products a copy of the Programme Documentation as then amended or supplemented. The Lead Manager is not authorized to give any information or to make any representation not contained in the Programme in connection with the offer and sale of Products to which the Programme relates.

With regard to each issue of Products, additional selling restrictions may be set out in the applicable Final Termsheet.

#### Switzerland

Any Final Termsheet of Products which are to be sold exclusively to qualified investors as defined by article 10 para. 3bis and 3ter 4 CISA may not be distributed, copied, published or otherwise made public.

Any Products which are also to be distributed to non-qualified investors may only be offered or advertised in accordance with the provisions of the Swiss Federal Act on Collective Investment Schemes ("**CISA**") and the Swiss Federal Ordinance on Collective Investment Schemes ("**CISO**").

#### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") the Lead Manager will not make an offer of Products to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Products to the public in that Relevant Member State. Under the following conditions the Products may be offered to the public in that Relevant Member State with effect from and including the date on which the Prospectus Directive is implemented:

- (a) in the period beginning on the date of publication of a prospectus in relation to those Products which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, and ending on the

date which is 12 months after the date of such publication and the Issuer has consented in writing to the use of the prospectus for the purpose of that offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Products referred to in (b) to (d) above shall require the Issuer or the Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression "offer of Products to the public" in relation to any Products in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Products to be offered so as to enable an Investor to decide to purchase or subscribe the Products, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

### **United States**

The Products have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act. Neither the United States Securities and Exchange Commission nor any other securities regulator within the United States has approved this Programme or has confirmed its correctness. This Programme and any Final Termsheet are not intended to be used within the United States and may not be delivered within the United States. The Products may not at any time be offered, sold, traded or delivered within the United States, directly or indirectly or to U.S. persons. Until 40 days after the later of the date of issue of the relevant Products and the completion of the distribution of such Products an offer or sale of such Products within the United States may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each offeror of the Products has represented and agreed that:

- (a) in relation to any Products which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Products other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the

purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Products would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Products in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Products in, from or otherwise involving the United Kingdom.

### **Guernsey**

Neither this document nor any Products offered pursuant to this document may be offered to members of the public in Guernsey ("public" as defined in the Prospectus Rules, 2008 issued by the Guernsey Financial Services Commission). Circulation of this document and any Termsheet relating to any Product within Guernsey is restricted to persons or entities that are themselves licensed by the Guernsey Financial Services Commission under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Insurance Business (Bailiwick of Guernsey) Law, 2002 or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000.

Neither this document nor any Products offered pursuant to this document have been reviewed by the Guernsey Financial Services Commission and neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Issuer or for the correctness of any of the statements made or opinions expressed with regard to it.

### **Italy**

The offering of the Products has not been registered pursuant to Italian securities, legislation and, accordingly, each offeror of the Products represents and agrees that it has not offered or sold, and will not offer or sell, any Products in the Republic of Italy in a solicitation to the public, and that sales of the Products by each offeror in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

The Products will not be offered, sold or delivered nor copies of the Programme or any other document relating to the Products in the Republic of Italy are distributed except:

- (a) to "**Qualified Investors**" (*investitori qualificati*), as defined under Article 34-*ter*, paragraph 1, letter b), of CONSOB (*Commissione Nazionale per la Società e la Borsa*) Regulation No. 11971 of 14 May 1999, as amended ("**Regulation 11971/1999**"); or
- (b) in circumstances which are exempted from the rules on offers of securities to be made to the public pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("**Financial Services Act**") and Article 34-*ter*, first paragraph, of Regulation 11971/1999.

Any such offer, sale or delivery of the Products or distribution of copies of this Programme or any other document relating to the Products in the Republic of Italy must be:

- (i) made by investment firms, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended, and Legislative Decree No. 385 of 1 September 1993, as amended; and
- (ii) in compliance with any other applicable laws and regulations.

Investors should note that, in accordance with Article 100-*bis* of the Financial Services Act, where no exemption under (b) above applies, the subsequent distribution of the Products on the secondary market in Italy must be made in compliance with the rules on offers of securities to be made to the public provided under the Financial Services Act and the Regulation 11971/1999. Failure to comply with such rules may result, inter alia, in the sale of such Products being declared null and void and in the liability of the intermediary transferring the Products for any damages suffered by the investors.

### **Hong Kong**

This Programme has not been approved by the Securities and Futures Commission of Hong Kong, nor has a copy of it been registered by the Registrar of Companies in Hong Kong. The Products issued under this Programme are not offered and sold in Hong Kong, and the Lead Manager represents and agrees that it will not offer and sell such Products in Hong Kong, by means of any document, to any person other than to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. The Lead Manager represents and agrees that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Products issued under this Programme which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Products issued under this Programme which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and any rules made thereunder. These restrictions are to be observed by each financial intermediary, offeror and purchaser.

### **Singapore**

This Programme is not, and has not been registered as, a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Products issued under this Programme may not be circulated or distributed, nor may Products issued under this Programme be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A(1)(c) of the Securities and Futures Act (Cap. 289) of Singapore ("**SFA**")) under Section 274 of the SFA, (ii) to a relevant person (as defined under section 275(2) of the SFA) pursuant to Section 275(1) (which term includes an accredited investor (as defined in Section 4A(1) of the SFA)("accredited investor")), or any person

pursuant to an offer that is made on terms that such shares are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or assets, pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Products issued under this Programme are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Products issued under this Programme under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA), or
- (2) to any person pursuant to an offer that is made on terms as set out Section 275(1A) of the SFA, or
- (3) where no consideration is or will be given for the transfer; or
- (4) where the transfer is by operation of law.

## IX TAXATION

### 1. General

Purchasers of Products may be required to pay stamp taxes, transaction taxes and other taxes and/or charges in connection with the Products. Prospective purchasers of Products should be aware that transactions involving the Products, any purchase or disposal of or other dealings in a Product, the abandonment of a Product, and any transaction involved in the exercise and settlement or, as the case may be, redemption of a Product, may have tax consequences in any jurisdiction (including, but not limited to, possible liabilities to stamp duties, transfer and registration taxes). Such tax consequences may depend, amongst other things, upon the status of the potential purchaser of a Product. Purchasers of Products should consult their own tax advisers about the tax implications of purchasing and holding a Product, any transaction involving a Product, and any transaction involved in the exercise and settlement or, as the case may be, redemption of a Product.

### 2. Swiss Taxation

Investors and Prospective Investors are advised to consult with their tax advisers with respect to the Swiss tax consequences of the purchase, ownership, disposition, lapse or exercise or redemption of a Product in light of their particular circumstances.

#### 2.1 Stamp Taxes

Neither the issue of Products nor the trade of Products which classify as pure derivatives for Swiss tax purposes are normally subject to Issue Stamp Tax and Swiss Securities Transfer Tax even if an Issuer resident in Switzerland issues the Products. Exemptions to these rules apply to Products which, due to specific features, are considered debt financing instruments (bonds, or money market securities), share-like or fund-like products, as well as Low Exercise Price Options (LEPO) on shares (with a maturity exceeding one year) for purposes of Swiss tax law. If upon the exercise or redemption of a Product an underlying security is delivered to the Investors, the transfer of the underlying security may be subject to Swiss Securities Transfer Tax (i) of 0.15% in the case of an underlying security which has been issued by a Swiss resident issuer or (ii) of 0.3% in the case of an underlying security which has been issued by an issuer resident abroad, provided in both cases that a Swiss securities dealer (*Effekthändler*), as defined in art. 13 para. 3 of the Swiss Federal Act on Stamp Duties (*Bundesgesetz über die Stempelabgaben*), is a party to the Products transaction or acts as an intermediary thereto. Certain exemptions may, *inter alia*, apply with regard to certain institutional investors such as mutual funds, life insurance companies and social security institutions.

#### 2.2 Swiss Withholding Tax

Products issued by a foreign resident issuer (this includes - based on a tax ruling from the Swiss tax authorities - the issuer's Guernsey Branch) are not subject to Swiss withholding tax (but see below regarding the proposed amendment of the Swiss Federal Withholding Tax Act).

Payments or credit of (deemed) interest or dividends on a Product issued by a Swiss resident issuer may be subject to Swiss federal withholding tax at a rate of 35%. This may apply likewise to payments or credits of yield from Products which classify for tax purposes as fundlike products. Any

such payments made on Products issued by a foreign issuer may also be subject to the Swiss federal withholding tax if such Products are guaranteed by a Swiss resident guarantor and/or a direct or indirect return of capital occurs (repatriation issue)..

The Investor who is resident in Switzerland may be entitled to a full refund of or a full tax credit for the Swiss federal withholding tax, subject to conditions being met.

A non-Swiss resident Investor may be able to claim a full or partial refund of the Swiss federal withholding tax if such an Investor is entitled to claim the benefits with regard to such a payment of a double taxation treaty between Switzerland and his or her country of residence and provided that the requirements of the treaty are met.

On August 24, 2011 the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of a Product (issued by a Swiss resident or foreign resident issuer) to an individual resident in Switzerland.

If this legislation or similar legislation were enacted and a payment in respect of a Product were to be made or collected through a Swiss paying Agent and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the issuer, nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any product as a result of the deduction or imposition of such withholding tax

### **2.3 Income Taxation of Products Held by Individuals as Part of Private Property**

Payments or credits received by a holder of a Product, which are considered, from a Swiss taxation perspective, as investment income (dividends or interests or other income), are subject to income tax. Gains or losses realized upon a sale or other disposition by Swiss resident individuals holding a Product as part of their private property and which qualify as private capital gains or losses for Swiss tax purposes are as a rule not subject to income taxation or are not deductible from taxable income respectively. Capital gains may, however, be subject to income taxation, if a Product or a distinguishable part thereof qualifies as a bond where the predominant part of the annual yield is paid in a one time payment (*überwiegende Einmalverzinsung*) or the Product is considered as not transparent for Swiss tax purposes. Losses arising from predominant one time interest paying bonds may be deducted from gains from similar instruments in the same tax period. Furthermore, for low exercise price options with a maturity exceeding one year the interest component is subject to income tax.

Profits and option premiums from Products, which are considered as pure derivatives for Swiss tax purposes (financial futures, options) are not subject to the income tax as such profits are in general considered as private capital gains provided the investor is holding the Products as private assets. Possible losses are not tax-deductible.

Income derived from a Product which is neither a private capital gain nor a repayment of paid in capital (or face value in case of shares) is generally subject to income tax. This applies, *inter alia*, to any issuance discount, repayment premium, other guaranteed payments (besides repayment of capital) or any combination thereof. Payments or credits received by an Investor because of dividends, interest etc. of the Underlying may be subject to income tax for such Investor. This may apply likewise to payments or credits derived from underlying funds.

## **2.4 Income Taxation of Warrants and Structured Products Held by Swiss Resident Entities or Individuals as Part of Business Property**

Income of any kind realized from Products as part of the business property of individuals (including deemed securities dealers due to frequent dealing, debt financing and similar criteria [*Wertschriftenhändler*]) or entities resident in Switzerland are subject to personal income tax or corporate income tax respectively. In general respective losses are deductible regarding personal or corporate income tax.

## **2.5 Wealth Taxation of Products Held by Swiss Resident Individuals**

The market value of Products may be subject to wealth tax levied on overall net wealth of Swiss resident individuals, regardless of whether the instruments are held as part of the private or business property.

## **2.6 Savings Directive**

On 26 October 2004, the European Community and Switzerland entered into an agreement on the taxation of savings income pursuant to which Switzerland adopts measures equivalent to those of the European Directive 2003/48/EC of 3 June 2003 on the taxation of savings income in the form of interest payments. The agreement came into force as of 1 July 2005.

On the basis of this agreement, Switzerland introduced a withholding tax on interest payments and other similar income paid by a paying agent (as defined in Article 6 of the Agreement of 26 October 2004) within Switzerland to an individual resident in an EU member state. The withholding tax is withheld at a rate of 35%. The paying agent and Switzerland provide to the tax authorities of the Member State details of the payments in lieu of the withholding. The beneficial owner of the interest payments may be entitled to a tax credit or refund of the withholding, if any, provided that certain conditions are met.

## **2.7 Final Withholding Tax**

Since the start of 2011, Switzerland had been negotiating an extension of cross-border cooperation in tax matters with various countries. A withholding tax agreement was signed with the United Kingdom in the autumn of 2011. The agreement was supplemented at the start of 2012. Switzerland signed a further agreement with Austria in April 2012. The Swiss Federal Council adopted the Swiss Federal Act on International Withholding Tax (IWTA) for the enforcement of these tax agreements in April 2012. The Swiss Federal Act on International Withholding Tax (IWTA) introduces inter alia a final withholding tax on investment income and capital gains levied by Swiss Paying Agents and entered into force on 20 December 2012. The tax agreements with the United Kingdom and Austria entered into force on 1 January 2013. Similar treaties with other European countries may follow.

## **3. Guernsey Taxation**

Following a review of Guernsey's corporate tax regime by the European Union Code of Conduct Group ("**EUCCG**") in 2011, the States of Guernsey agreed to abolish deemed distributions. The EUCCG confirmed in September 2012 that Guernsey's tax regime would then conform to the EU Code of Conduct and this was ratified by the EU Economic and Financial Affairs Council (ECOFIN)

in December 2012. The States of Guernsey abolished deemed distributions with effect from 1 January 2013.

The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in the future, including the possible introduction of a goods and services tax, depending on the state of Guernsey's public finances at the time. Any changes to the Guernsey corporate tax regime could have an impact on the Issuer's liability to Guernsey tax.

### **3.1 Stamp Taxes**

No stamp duty or document duty will be levied or charged in Guernsey upon the issue of Products or upon the transfer, sale or redemption of Products.

### **3.2 Guernsey Income Tax**

Leonteq Securities AG, Guernsey Branch is not resident in Guernsey for tax purposes but will derive income from business conducted from a permanent establishment in Guernsey; such income will qualify for a zero rate of income tax.

### **3.3 Payments of Interest and Redemption Proceeds**

Payments of interest and the payment of capital proceeds arising upon the redemption or repurchase of Products to non-Guernsey residents will not be subject to Guernsey withholding tax.

### **3.4 Capital Taxes**

Guernsey does not levy capital taxes upon any gains made by non-Guernsey resident Investors on securities or debt instruments issued by Guernsey companies.

### **3.5 Savings Directive**

Guernsey has introduced measures equivalent to the EU Savings Tax Directive (EU Directive 2003/48/EEC). Following 1 July 2011, all Guernsey paying agents are required to automatically exchange information with other EU Member States, via the Guernsey tax authorities, instead of deducting retention tax.

The Issuer will not, under the existing regime, be regarded as an undertaking for collective investment established in Guernsey that is equivalent to a UCITS authorised in accordance with EC Directive 85/611/EEC of the Council for the purposes of the application in Guernsey of the bilateral agreements on the taxation of savings income entered into by Guernsey with EU Member States. Consequently, in accordance with current States of Guernsey guidance on the application of the bilateral agreements, where the Issuer's paying agent (as defined for these purposes) is located in Guernsey, the paying agent would not currently be required to exchange information regarding distributions made by the Issuer and/or the proceeds of the sale, repurchase, or redemption of the Products.

The operation of the EU Savings Tax Directive is currently under review by the European Commission and a number of changes have been outlined which, if agreed, will significantly widen

its scope. These changes could lead to the Company having to comply with the provisions of the EU Savings Tax Directive in the future.

## **X GENERAL INFORMATION**

### **AUTHORIZATION**

The annual update of the Programme and the issuance of Products under the Programme have been duly authorized by the Board of Directors of Leonteq Securities AG pursuant to a resolution dated as of 22 August 2012.

The execution and the delivery of the Guarantee, if any, has been authorized as stipulated in the relevant Guarantee Annex.

### **LISTING**

The SIX Swiss Exchange has approved the Programme as of 6 October 2014.

### **CLEARING SYSTEMS**

The Products have been accepted for clearing through SIX SIS AG. If the Products of any series are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Termsheet.

### **AUDITORS**

The financial statements for the years ending 31 December 2012 and 31 December 2013 of Leonteq Securities AG have been prepared in accordance with Swiss GAAP FER and have been reported upon without qualification for Leonteq Securities AG by PriceWaterhouseCoopers, certified public accountants, which has its principal place of business at Birchstrasse 160, CH-8050 Zurich.

### **SIGNIFICANT CHANGE**

Save as disclosed herein there has been no significant change in the financial or trading position of Leonteq Securities AG and its branches, except as caused by the building-up of the Issuer and the issuance listed and non-listed products.

### **TREND INFORMATION**

Save as disclosed herein neither the Issuer nor the Guarantor are aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on their respective prospects during the current financial year.

### **LEGAL, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS**

Save as disclosed herein (including any information incorporated by reference herein) neither Leonteq Securities AG nor any of its branches is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this Programme a significant effect on the financial position or prospects of Leonteq Securities AG or its branches. Nor so far as Leonteq Securities AG and its branches (taken as a whole) are aware, are any such proceedings pending nor threatened.

**USE OF PROCEEDS**

The Issuer intends to use the net proceeds from each issue of Products for general purposes, for hedging the obligations and to secure Products guaranteed by any Guarantor, as the case may be, created by the issuance of the Products.

## **XI      RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Programme. The Issuer declares that the information contained in this Programme is, to the best of its knowledge, in accordance with facts and contains no omission likely to affect its import.

**LEONTEQ SECURITIES AG**

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**REGISTERED AND PRINCIPAL OFFICES OF THE ISSUER**

**Leonteq Securities AG**  
Brandschenkestrasse 90  
8002 Zurich  
Switzerland

**Leonteq Securities AG,  
Guernsey Branch**  
Block F – 1st Floor, Hirzel Court  
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GY1 2NH, Channel Islands

**PAYING AGENT**

**Leonteq Securities AG**  
Brandschenkestrasse 90  
8002 Zurich  
Switzerland

**AUDITORS TO THE ISSUER**

**PriceWaterhouseCoopers AG**  
Birchstrasse 160,  
8050 Zurich  
Switzerland

**LISTING AGENT**

**Leonteq Securities AG**  
Brandschenkestrasse 90  
8002 Zurich  
Switzerland