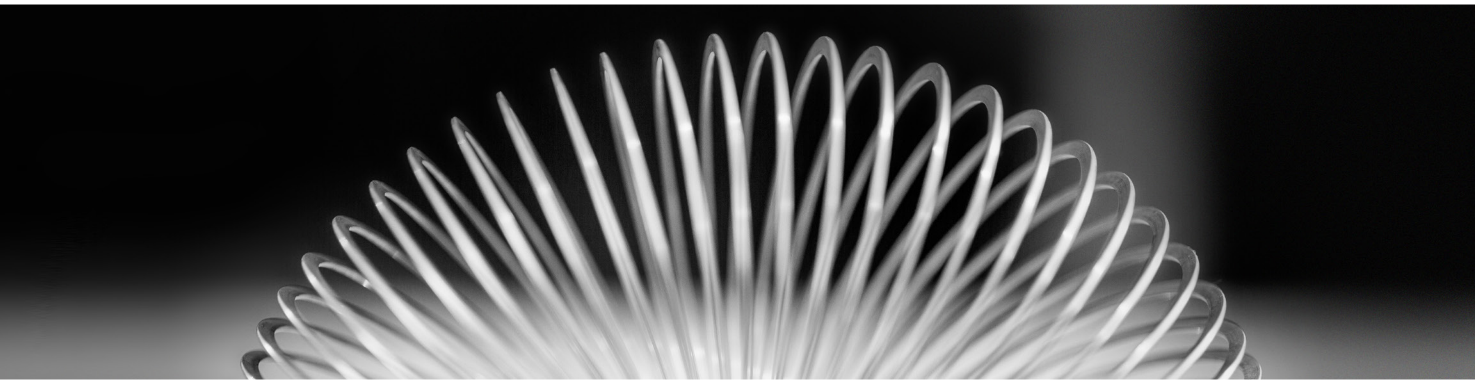
SIX Flex®

Risk Indicator

Getting beyond regulation for better investor protection



Challenge

European and Swiss investor protection regulations (MiFID II, PRIIPs and FinSA) have stressed the importance for financial institutions of monitoring the suitability and appropriateness of financial instruments they sell to their customers. Among many aspects, matching the risk of an asset with the client's ability and appetite to take it is key. Therefore, an issuer-calculated Summary Risk Indicator (SRI) is now mandatory for structured products and derivatives, whilst for UCITS funds, a Synthetic Risk and Reward Indicator (SRRI) currently exists. The SRRI is expected to be migrated to an SRI by the end of 2021. But what about the other asset classes (bonds, equities...)?

Following requests from the market, SIX has decided to develop a Product Risk Indicator (PRI) for equities, bonds, futures and options as an additional product offering. The PRI is derived from the SRI methodology (as described in the ESMA Regulatory Technical Standard (RTS) for the PRIIP-KIDs regulation) and adapted for non-PRIIPs asset classes.

Primary Audience

Private Banking and Wealth Management, Asset Management.

Common Use Cases

Advisory, Portfolio Management, Risk Management.

Available Content

The Risk Indicator package content encompasses the SRI for PRIIPs for relevant instruments and SRRI for UCITS funds. It is completed by the PRI, an indicator calculated by SIX capturing both market and credit risk for instruments classified as non-complex (e.g. equities and bonds). The market risk measure and the credit risk measure will also be available in the PRI data set. Being based on a common calculation methodology, the SRIs and PRIs can easily be compared and together allow for a consolidated risk measure across all major asset classes.

The Risk Indicator will enable wealth managers and client advisors to:

- Compare the risks of investments within one asset class and across different asset classes.
- Choose and recommend risk suitable investments to their clients.
- Explain the risks in an intuitive and easily understandable manner.

Features and Associated Benefits

- The Risk Indicator package addresses the need to monitor the suitability and appropriateness of investment products and match them to the risk profile of retail investors.
- Consistent and easy to understand, the PRI can be directly compared to an SRI on a PRIIP-KID. It is simple and has a regulatory backing (adaptation of the SRI methodology).
- Comparison of instrument risks made easy across whole portfolios and all asset classes (PRI or SRI/SRRI).
- Cost effective. No additional risk indicator is needed for instruments carrying an issuer-calculated SRI. The SRI can be used for instruments on which it already exists.
- With the Risk Indicator package SIX fills the gaps for instruments where there is no issuer calculated measure available and makes all risk indicators (PRI, SRI, SRRI) available to clients in one delivery and format.

We have offices in over 20 countries, to get in touch with your local SIX office visit www.six-group.com/contacts

SIX Financial Information Ltd.
Hardturmstrasse 201
P.O. Box
CH-8021 Zurich

T + 41 58 399 2111
www.six-group.com/financial-information