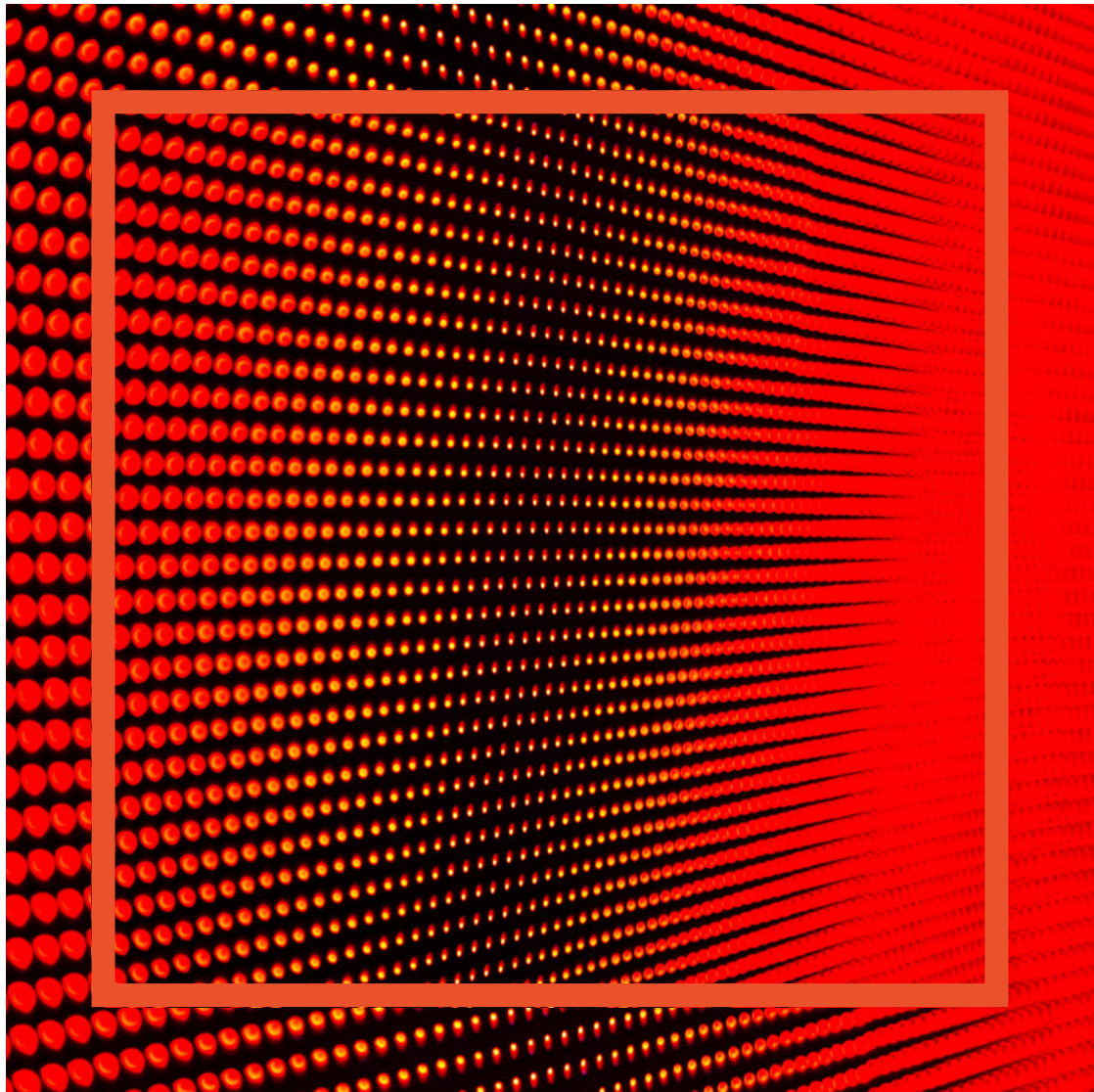


 **Swiss DOTS**
AN EXCLUSIVE PLATFORM



 **Swissquote**

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WHAT IS Swiss DOTS?

Swiss DOTS (Swiss Derivatives OTC Trading System) is an exclusive platform which allows Swissquote clients to trade thousands of leveraged products directly with the issuer.

How to open a Swissquote trading account to trade on Swiss DOTS?

You can open your Swiss DOTS trading account directly online by clicking [here](#), whether you are a Swissquote customer or not.

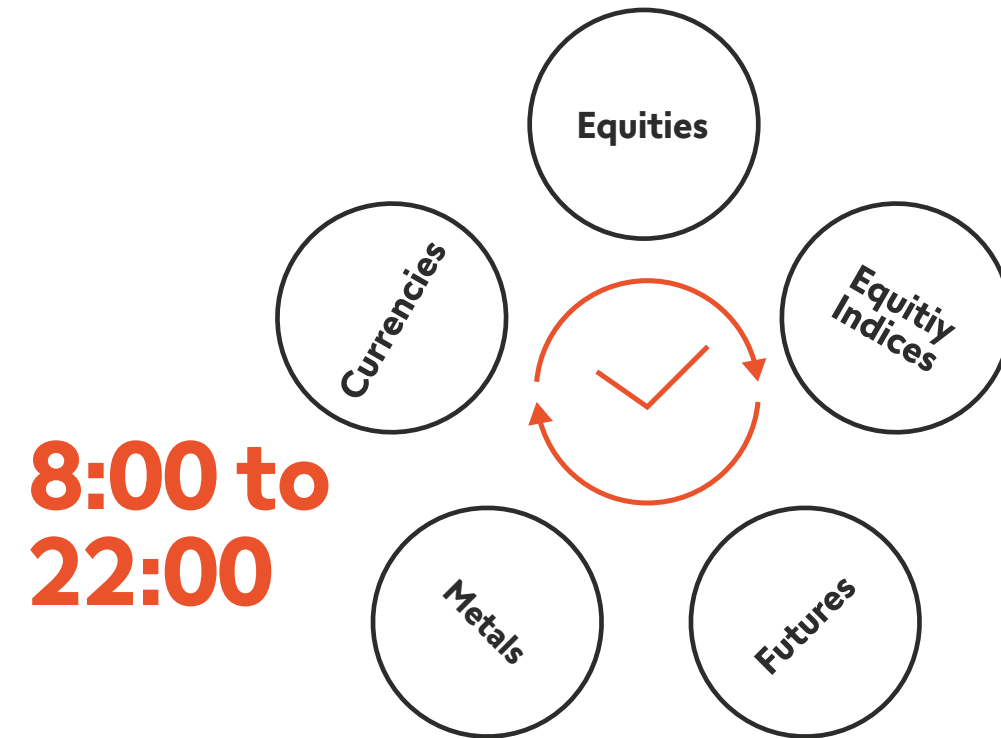
The screenshot shows the 'Trading account opening' form on the Swissquote website. It is divided into four steps: 1. Personal information, 2. Client profile, 3. Financial information, and 4. Review. The 'Personal information' step is active and includes the following fields: Title (Mr. or Ms.), First name, Family name, Marital status (dropdown), Date of birth (dd/mm/yyyy), Nationality (dropdown), and Legal address (Street Address, with two additional lines for address details).

Key partners:



Extended trading hours

Swiss DOTS platform provides investors with the opportunity to trade from 8 a.m. to 10 p.m. (CET).



A wide range of products

Swiss DOTS platform comprises more than 90'000 leveraged products, including warrants, knock-out warrants, mini-futures...

+90'000 PRODUCTS

55'000
warrants

19'000
Knock-out warrants

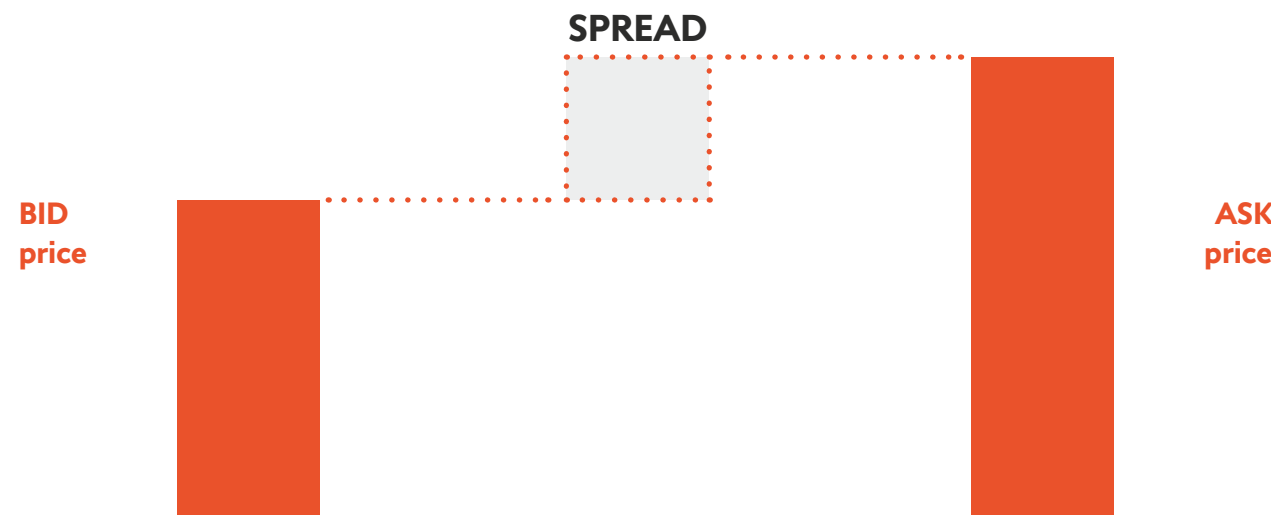
15'500
mini-futures

1'500
factor certificates

Attractive spreads

Low spreads can be also named as another key advantage of Swiss DOTS.

As a reminder, the spread is defined as the difference between the bid price and the ask price. Having the opportunity to benefit from low spreads is key for investors, as it implies low transaction costs, even for large trading volumes.



Trade with transparency

Since Swiss DOTS offers Swissquote customers the opportunity to trade directly with issuers, the trading process takes place exclusively OTC (over the counter). Therefore, the products are not listed on any stock exchange.

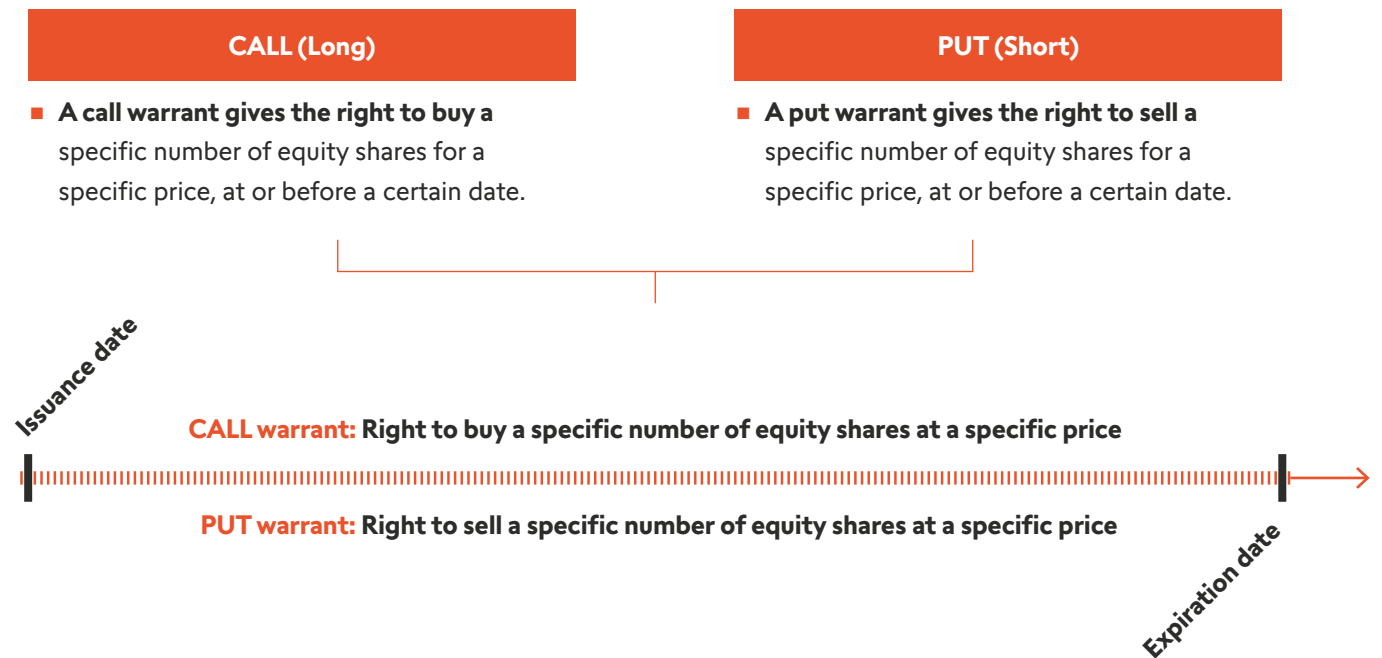
This allows investors to trade efficiently and cost-effectively. Mistrade rules are in place in case a transaction is executed for a price that is definitely different from the current market price. This mechanism allows trading to remain fair and transparent for all parties throughout the transaction.

WHAT ARE WARRANTS?

A warrant is a derivative instrument that gives the right, but not the obligation, to buy or sell a security – usually share equity – at a certain price and quantity, before expiration.

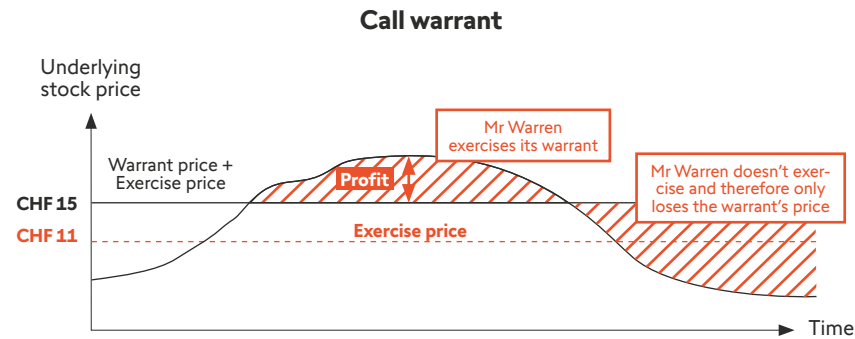
The price at which the underlying asset can be bought or sold is called the exercise price or strike price.

What are the two types of warrant?

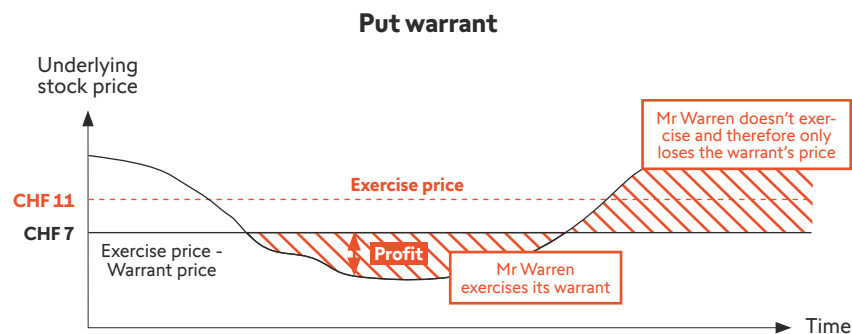


Example

Mr Warren expects that stock X, which currently trades at CHF 10, is going to rise throughout the next 6 months. He can therefore decide to buy a call warrant (long warrant) for let's say CHF 4, **giving him the right to buy stock X for CHF 11 within the next 6 months**. In that case, Mr Warren will step into the profit zone as soon as stock X's price exceeds warrant price + exercise price = $11 + 4 = \text{CHF } 15$.



Now, let's assume that Mr Warren expects stock X's price to decrease throughout the next 6 months. Buying a put warrant (short warrant) **gives him the right to sell stock X for CHF 11 within the next 6 months**. In that case, Mr Warren will step into the profit zone as soon as stock X's price falls below exercise price – warrant price = $11 - 4 = \text{CHF } 7$.



What are the advantages/disadvantages of warrants?

- As warrant prices are typically low, the leverage and gearing associated with warrants are usually high, generating potentially larger capital gains and losses.
- However, while leverage can be a good thing, it can also be a huge risk. Since the leverage can be high, the loss on the warrant can reach a high percentage.

Knock-out warrants vs traditional warrants

1

Unlike other warrants, knock-out warrants might expire prematurely in case the underlying security's price exceeds (knock-out put), or falls below (knock-out call) a predetermined price. In other words, the underlying stock price reaching the predetermined knock-out level leads to the immediate expiration of the warrant. Depending on the features of the product, it then expires worthless or a specified amount is paid back to the investor.

2

Another key difference is that knock-out warrants do not have any expiration date. This basically means that they do not have a time value.

3

Last but not least, knock-out warrants could be seen as easier to understand, since the price does not depend on volatility.

WHAT FACTORS INFLUENCE KNOCK-OUT WARRANTS' PRICE?

Factor	Change	Impact on long knock-out warrant price	Impact on short knock-out warrant price
Underlying price	▲	▲	▼
Dividends	▲	▼	▲
Interest rate	▲	▲	▼

What is the risk associated with knock-out warrants?

- Because the leverage can be high, investors are facing a risk of a total loss. Indeed, knock-out warrants can expire worthless.

Long knock-out warrant

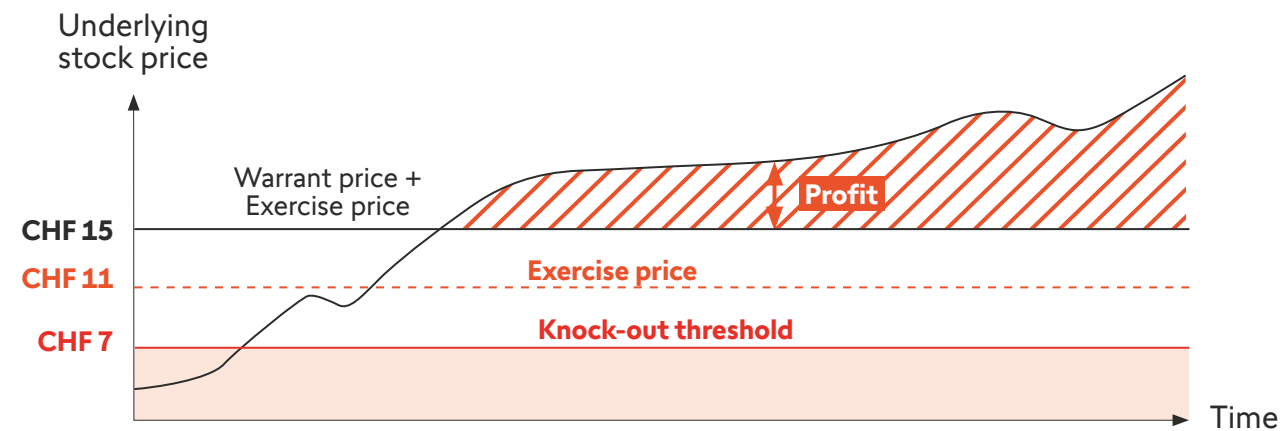
Hereby an example of knock-out call warrant with the **following features**:

WHAT FACTORS INFLUENCE KNOCK-OUT WARRANTS' PRICE?

Exercise price	CHF 11	Price of the product	CHF 4
Share price	CHF 10	Knock-out threshold	CHF 7

In that case, the knock-out warrant would expire prematurely if the stock price falls below CHF 7.

Call warrant with knock-out



Short knock-out warrant

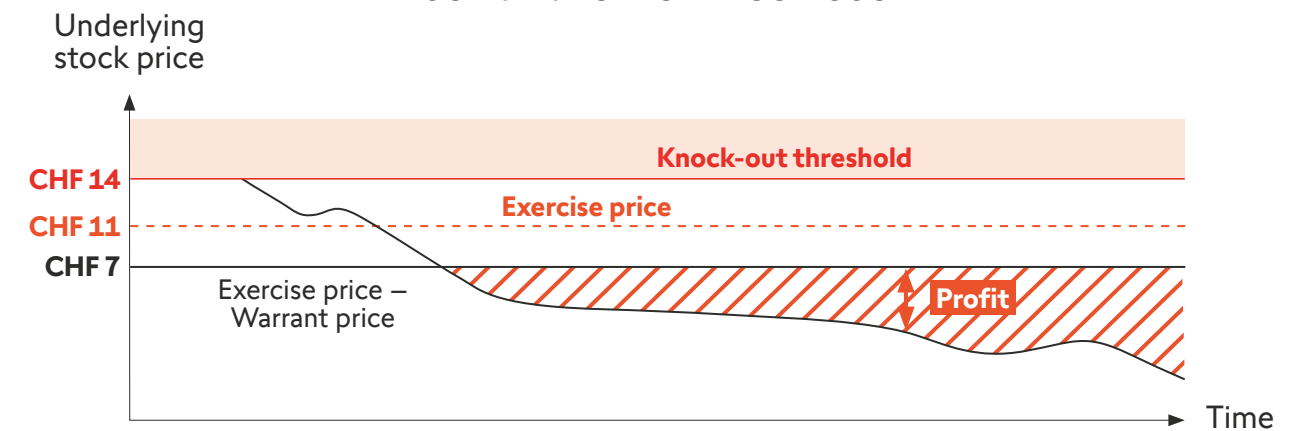
Now, let's imagine the following knock-out put warrant including the below **following features**:

WHAT FACTORS INFLUENCE KNOCK-OUT WARRANTS' PRICE?

Exercise price	CHF 11	Price of the product	CHF 4
Share price	CHF 12	Knock-out threshold	CHF 14

In that case, the knock-out warrant would expire prematurely if the stock price exceeds CHF 14.

Put warrant with knock-out



WHAT ARE MINI-FUTURES?

What are futures?

As a reminder, futures are legal agreements to buy or sell a particular asset at a predetermined price at a specified future date.

The buyer has the obligation to buy and receive the underlying asset when the futures expires. On the other hand, the seller has the obligation to provide and deliver the underlying asset at the expiration date.

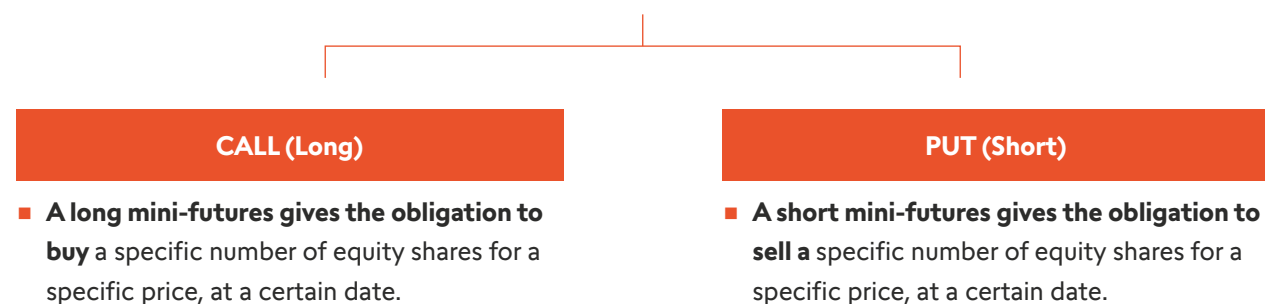
What are mini-futures?

Mini-futures are really close from knock-out warrants. They basically have the same characteristics: **(1) They do not have any expiration date, and (2) If the knock-out level is reached, mini-futures expire immediately.** In that case, investors then receive payment equals to the residual value.

However, the key difference is that mini-futures give the **obligation** to buy or sell the underlying asset, while knock-out warrants **give a right**, but not an obligation to do so.

What are the two types of mini-futures?

Just like knock-out warrants, there are **two different types of mini-futures.**

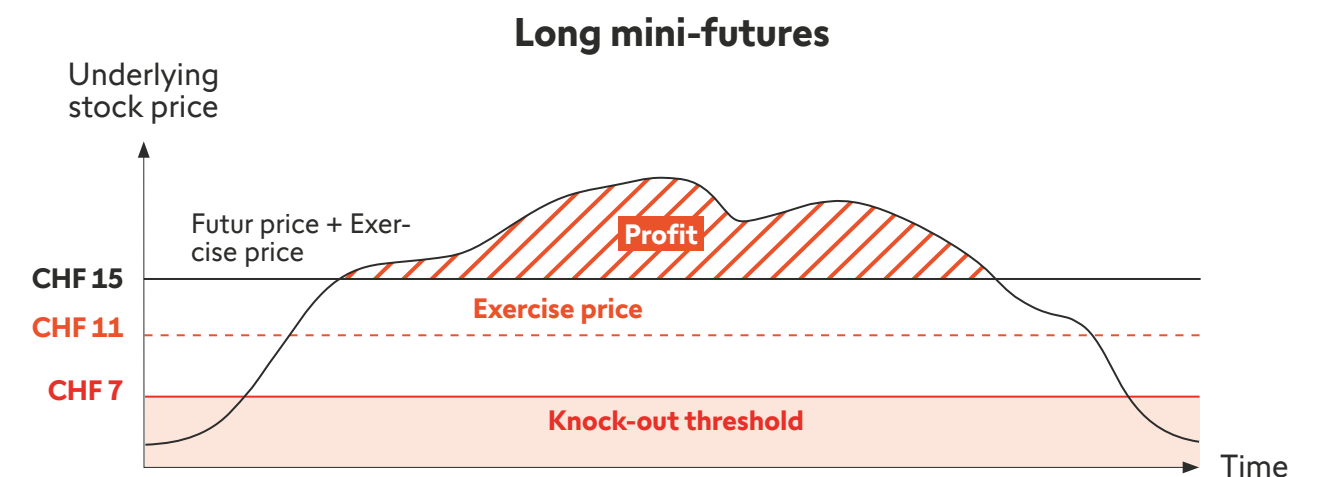


Example: Long mini-futures

Mr Warren expects stock X's price to rise throughout the next 6 months. He can decide to buy the below long mini-futures to "disproportionately" gain from the underlying's price increase.

WHAT FACTORS INFLUENCE KNOCK-OUT WARRANTS' PRICE?			
Exercise price	CHF 11	Price of the product	CHF 4
Share price	CHF 10	Knock-out threshold	CHF 7

The above product gives Mr Warren the obligation (not the right like warrants) to buy stock X for CHF 11 in 6 months. However, if stock X's price hits knock-out level of CHF 7, the mini-Future expires prematurely. Mr Warren then receives the product's residual value.



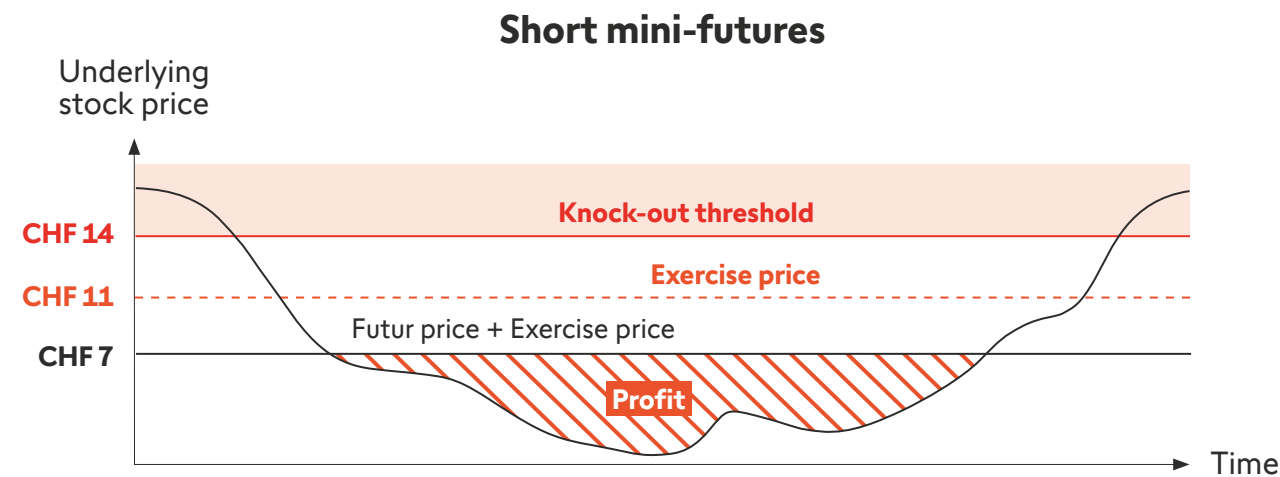
Short mini-futures

Mr Warren expects stock X's price to fall throughout the next 6 months. He can decide to buy the below short mini-futures to gain from the underlying's price decrease.

WHAT FACTORS INFLUENCE KNOCK-OUT WARRANTS' PRICE?

Exercise price	CHF 11	Price of the product	CHF 4
Share price	CHF 12	Knock-out threshold	CHF 14

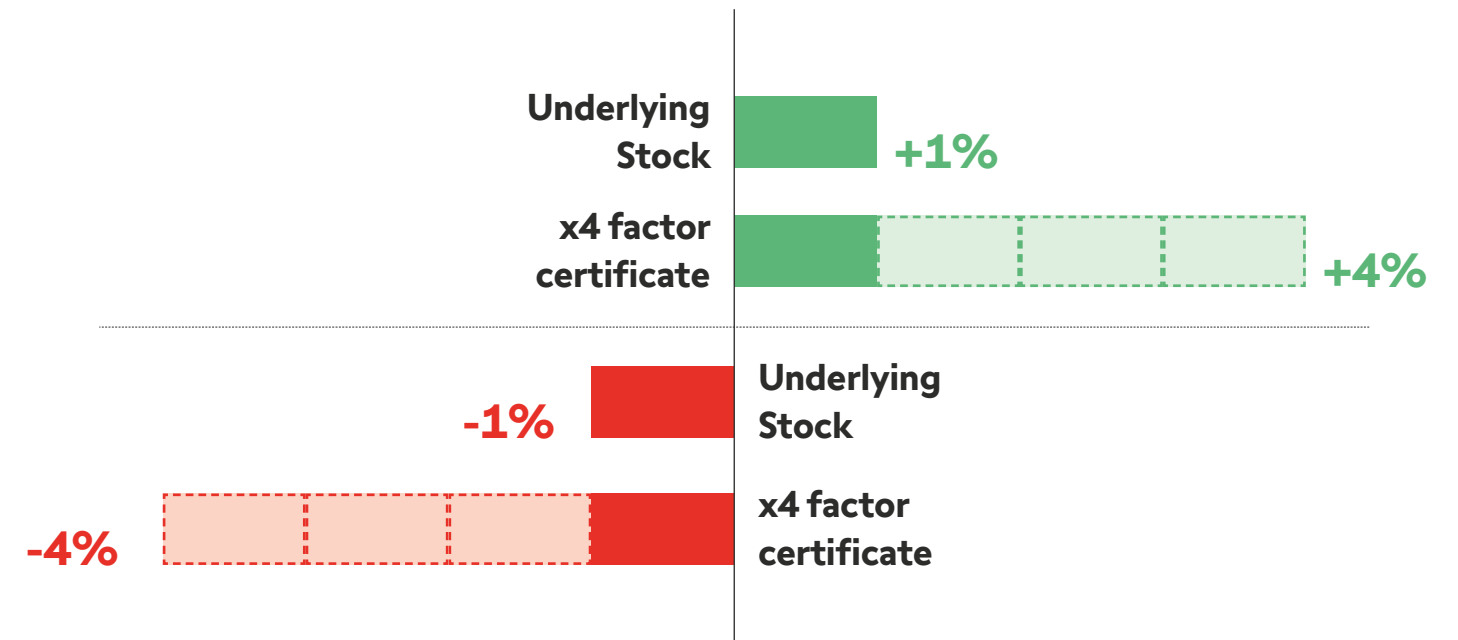
The above products give Mr Warren the obligation (not the right like warrants) to sell stock X for CHF 11 in 6 months. However, if stock X's price hits knock-out level of CHF 14, the mini-Future expires prematurely. Mr Warren then receives the product's residual value.



WHAT ARE FACTOR CERTIFICATES?

A factor certificate is an instrument using a leverage effect, with the factor showing how strong the leverage is.

Let's take a simple example. If Mr Warren believes that a particular stock is following an upward trend, he can decide to position on a long certificate with a factor of, let's say, x4. If the underlying stock price increases by 1%, the factor certificate then rise by 4%. On the other hand, if the stock price falls by 1%, the long factor certificate loses 4% in value.



What are the advantages/disadvantages of factor certificates?

- These products offer a relatively simple and efficient way to benefit from stable price trends, whether it be upward trends or downward trends.
- Through a constant leverage, factor certificates provide investors with the opportunity to earn disproportionately from the underlying asset's performance.
- However, the significant and constant leverage can also be a huge risk for investors, who are facing a risk of extensive losses and even a total loss of the capital invested.

GLOSSARY

OTC (Over The Counter)

An OTC market is a market where transactions – whether it be stocks, currencies or commodities – take place directly between participants, without the intervention of an exchange or a broker. While OTC markets are a cost-effective solution, the lack of regulations make participants subject to counter-party risks, liquidity risks, and a lower transparency.

Leveraged product

A leveraged product is an instrument which allows investors to participate disproportionately to market's gain/loss using leverage. In other words, leveraged products offer the opportunity to take a position that is greater than the investor's initial capital investment.

Ask/Bid price

The ask price defines the minimum price at which a seller would be willing to sell a particular security. The bid price refers to the maximum price at which a buyer would be willing to buy a particular security.

Underlying asset

An underlying asset is a financial asset (a stock, a commodity, an index...) on which a derivative instrument is based on.

Exercise price

For a derivative instrument, the exercise price (or strike price) refers to the price at which the underlying asset can be bought or sold.

NEXT STEPS – START TRADING WITH SWISSQUOTE

1

Go to [swissquote.com/trading](https://www.swissquote.com/trading)

2

Open a demo account.

3

You can practice trading with CHF 10'000 virtual money. No risk & no obligation.

[Try a demo now!](#)

Why trade with Swissquote?

- 20 years of online trading expertise
- Access to 3 million products on major international stock exchanges
- Most comprehensive trading platform on the market
- Multilingual customer support
- Training and education with online webinars
- High-performance mobile applications
- International Group listed on the SIX Swiss Exchange (SIX:SQN)

Swissquote is regularly quoted and consulted by global financial media.

Bloomberg



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