4. The principle of diversification is a key component of the regulatory framework governing tied assets. For instance, the AVO (Ordinance on the Supervision of Banks) and the ISA (Insurance Supervision Act) both emphasize the importance of diversification in the management of tied assets. These regulations require insurance companies to ensure that their tied assets are diversified in a manner that is appropriate for the company's risk profile and investment objectives. This requirement is designed to ensure that the tied assets are able to meet their obligations to policyholders in a stable and sustainable manner, even in the face of market volatility or other adverse conditions.

5. The principle of diversification is also reflected in the specific investment guidelines that are issued by regulatory authorities for tied assets. For instance, the Circular 16/5 "Investment Guidelines - Tied Assets" issued by the Swiss Financial Market Supervisory Authority (FINMA) emphasizes the importance of diversification in the management of tied assets. The circular requires insurance companies to ensure that their tied assets are diversified across various asset classes, geographical regions, and issuers, in a manner that is appropriate for the company's risk profile and investment objectives. This requirement is designed to ensure that the tied assets are able to meet their obligations to policyholders in a stable and sustainable manner, even in the face of market volatility or other adverse conditions.

6. In summary, the principle of diversification within tied assets is a fundamental concept that emphasizes the importance of spreading investments across various asset classes, geographical regions, and issuers to mitigate risk and enhance the overall stability and performance of the investment portfolio. This principle is crucial for tied assets, which are specifically designated to secure the claims of policyholders in the event of the insurance company's bankruptcy. By diversifying the investments, the risk associated with any single investment is reduced, thereby increasi the overall stability and resilience of the tied assets portfolio. This diversification strategy is designed to protect against the risk of loss