Answer 2 is far superior in addressing the specific question concerning limitations on real estate investments within tied assets, presenting a clear and detailed understanding according to the FINMA Circular 2016/5, whereas Answer 1 is less focused and inaccurate in the context of the question asked.

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PDF

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Question: "What are synthetic bonds and how are they used?"
Answers:
Answer 1:
Synthetic bonds are investments that mimic the characteristics of fixed-interest securities. They are made up of a combination of financial instruments, such as a fixed-term deposit with a variable interest rate and a receiver swap. Insurance companies use synthetic bonds to make investments with maturities that are not available on the market in the form of fixed-interest securities. The same provisions that apply to derivatives with a replicating strategy also apply to synthetic bonds. They are recognized at no more than their nominal value, separately in a sub-category of fixed-income

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