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You are a helpful assistant. Make direct answers with good explanations. Do not lie and if you do not know the answer, say you do not know. Answer this question:  
How are bonds and convertible bonds treated?



In the FINMA Circular 2016/5 for insurers, bonds and convertible bonds are treated with specific guidelines to ensure they meet the investment criteria for safety, profitability, and liquidity. Here's how they are generally treated:

### 1. Types of Bonds and Convertible Bonds:

- Permitted investments include government bonds, bonds issued by cantons, cities, municipalities, and other public corporations, corporate bonds, and medium-term notes issued by a bank licensed in Switzerland.
- Convertible bonds are also permitted and can be divided into two types: those with the character of bonds and those with the character of shares.

### 2. Convertible Bonds:

- Convertible bonds that can be converted into shares (e.g., mandatory convertible bonds, contingent convertible bonds) are typically assigned to the "shares" category if the market value of the convertible bond exceeds 130% of its nominal value. If the value subsequently falls below 130%, the bond remains in the shares category.

### 3. Valuation:

- Bonds are generally valued using either the scientific or straight-line cost amortization method plus accrued interest. This approach ensures that the value recorded reflects the amortized cost, thereby maintaining the initial yield to

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