

Frequently Asked Questions

Central Counterparty for clearing CHF bonds on SIX Swiss Exchange

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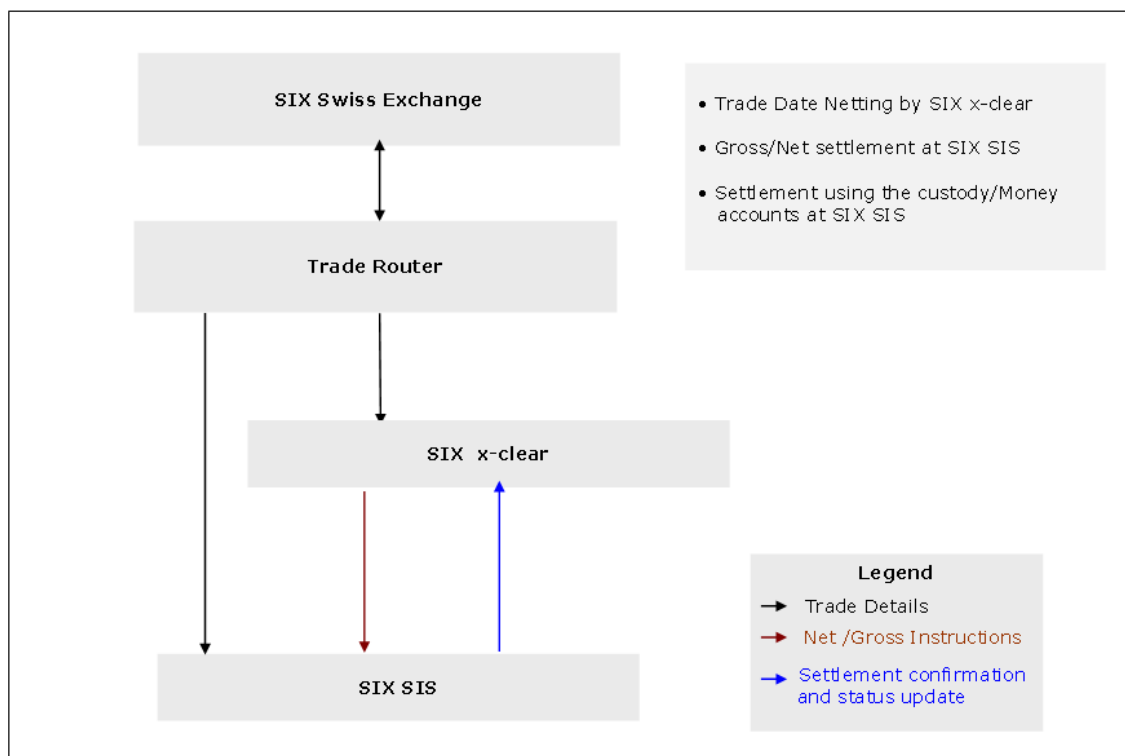
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1.0 Business model

1.1 Business model overview



2.0 Membership of SIX x-clear

2.1 Does the member need to open a new clearing member ID for clearing services on SIX Swiss Exchange CHF bonds segment?

SIX x-clear does not mandate any new clearing member IDs for the members already using the clearing services of SIX x-clear. The member has the choice to continue using the existing clearing ID or to acquire a new clearing ID.

3.0 Risk management

3.1 Are members required to maintain separate clearing accounts for each asset class?

No. The clearing member's open positions are maintained at asset class level within the clearing accounts and are segregated into equities and bonds.

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3.2 Are members required to have new collateral accounts for clearing services on SIX Swiss Exchange CHF bonds segment?

The existing collateral accounts can be used.

The members can use the same collateral accounts for clearing of all equity trades executed on the different exchanges supported by SIX x-clear and bond trades executed on SIX Swiss Exchange.

3.3 Are members required to make a separate Default Fund contribution for the clearing of bonds traded on SIX Swiss Exchange?

No. A common Default Fund is maintained for SIX Swiss Exchange trades including equities and bonds. Members are required to make a single contribution for trades cleared at SIX x-clear.

3.4 What are the margin requirements for members trading on SIX Swiss Exchange?

The initial and variation margin is calculated for equities and bonds, the total margin will be calculated by considering the margin requirement on equities and bonds. The details are available in the Service Description published at www.ccp.sisclear.com > Services.

3.5 When is the margin call triggered for clearing members trading on SIX Swiss Exchange?

The margin call will be triggered when the member's calculated total margin requirements exceed the member's deposited collateral value.

4.0 Trade acceptance

4.1 How is the member informed of trade acceptance?

An MT548 message will be generated with order status 413. Members can continue to receive these intimations by means of C/C link with SIX SIS.

An MT518 will be sent to the General Clearing Member (GCM) for each of the Non-Clearing Member's (NCM) trade executions. MT518 informs of a trade's acceptance and can only be received if the GCM has submitted a corresponding standing instruction.

4.2 How is the member informed of trade cancellation?

An MT548 message will be generated with order status 415. Members can continue to receive these intimations by means of C/C link with SIX SIS.

4.3 Can members specify custody and money accounts?

Yes. At SIX x-clear, the member can specify the custody and money to be used.

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If not specified at SIX x-clear, the member's custody and money arrangements with SIX SIS for settlement of SIX Swiss Exchange trades will be used.

5.0 Trade date netting

5.1 When does SIX x-clear perform netting?

SIX x-clear will perform trade date netting at the end of the business day after trade reconciliation with SIX Swiss Exchange.

5.2 Does SIX x-clear allow members to choose between either gross or net settlement?

Yes. The netting preference of the member is indicated in the SIX Swiss Exchange standing instruction (CSSI) form.

5.3 Can the member opt for gross settlement for bonds and net settlement for equities or vice versa?

The netting is specified as part of the member's CSSI. In this case, the member would need to have different CSSIs for equities and for bonds trades.

5.4 What is the difference in the netting model for SIX Swiss Exchange equities trades and for bonds trades?

For equity trades, SIX SIS performs trade date netting and generates the settlement instruction.

For bonds trades, SIX x-clear performs trade date netting and generates the settlement instruction which is routed to SIX SIS.

5.5 What are the possible outcomes of netting?

The possible outcomes of netting for a member are described as follows:

Description	Security	Cash
Delivery versus payment (DVP)	Delivery	Receipt
Receipt versus payment (RVP)	Receipt	Delivery
Delivery versus payment (DVP)	Delivery	0
Receipt versus payment (RVP)	Receipt	0
Receive money only (RMO)	0	Receipt
Pay money only (PMO)	0	Delivery
Deliver security and pay money (DSM)	Delivery	Delivery
Receive security and receive money (RSM)	Receipt	Receipt
Null receipt (NLR)	0	0

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SIX x-clear will transmit net settlement instruction to SIX SIS.

5.6 How is the member informed of gross and net transaction details?

An MT537 (RDXO422) data format report will be available detailing gross versus net orders. The report is different to that for equities and will be generated by SIX x-clear. Members are required to have the necessary standing instruction to receive this report.

5.7 When is the gross/net settlement instruction transmitted to SIX SIS.

SIX x-clear will transmit the gross/net settlement instruction to SIX SIS after completion of the netting window at SIX x-clear.

6.0 Settlement

6.1 Which organisations are involved in SIX Swiss Exchange bond trades?

Bond trades executed on SIX Swiss Exchange and cleared by SIX x-clear are settled at SIX SIS only.

6.2 What are the status transitions in the transaction life cycle for SIX Swiss Exchange bonds?

Please refer to the appendix of the Service Description available at www.ccp.sisclear.com > Services.

6.3 Do settlement agents need to sign new power of attorney agreements?

Yes. In order to allow SIX x-clear to submit settlement instructions to SIX SIS on behalf of the member, the member must provide a power of attorney to SIX x-clear.

7.0 Member query

7.1 Can the member query the open position and margins at asset class level?

Yes. Querying the open position statement for specific asset class and across asset classes are supported.

8.0 Member reporting

8.1 What are the enhancements to member reporting.

Member reporting has been enhanced and brought into line with the risk model based on asset class.

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9.0 Clearing fees

SIX x-clear's pricing details can be found at www.ccp.sisclear.com > Services > Pricing SIX x-clear.

10.0 Corporate Actions

10.1 Is there any change to Corporate Action processing?

The Corporate Action process will be handled by SIX SIS (place of settlement). The existing approach at SIX SIS will be continued with the introduction of the clearing services. Members can continue to receive the Corporate Action related details from SIX SIS. For details of the corporate action processing at SIX SIS, please refer to SIX SIS' MarketGuides available at www.six-sis.com > Private > MarketGuides.

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