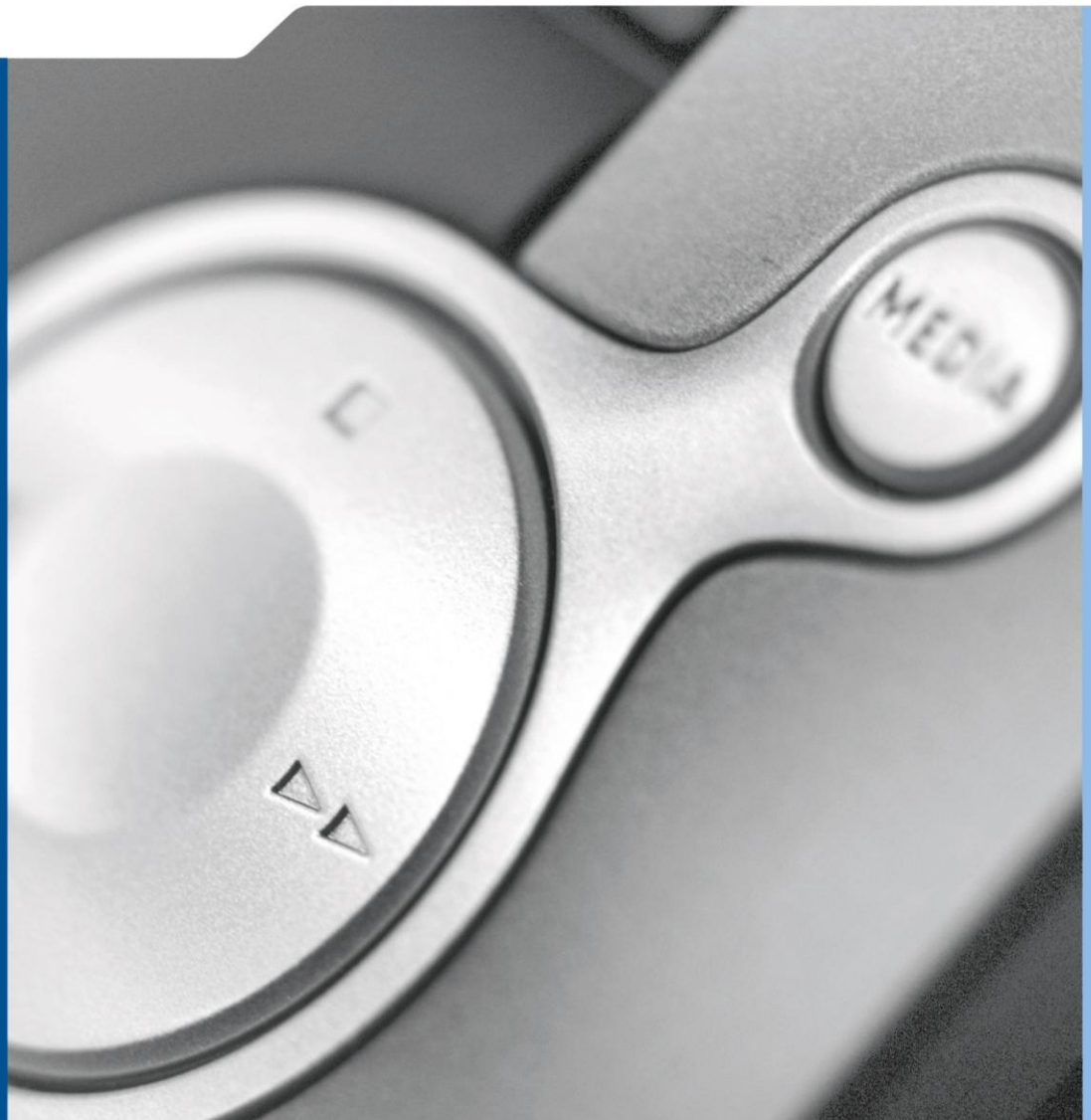


# Clearing terms of SIX x-clear Ltd for SIX Swiss Exchange Ltd

**Version 2.0**

July 2011



# Clearing terms of SIX x-clear Ltd for SIX Swiss Exchange Ltd

Version 2.0

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### 1.0 Purpose of the Clearing Terms

In accordance with the Contract for Clearing Services (Swiss Law) between SIX x-clear Ltd (hereinafter "**x-clear**") and the x-clear Member, these Clearing Terms form part of the Contractual Relationship between x-clear and the x-clear Member and shall be read in conjunction with the Contract for Clearing Services (Swiss Law), the Pledge Agreements, the Agreement for the Financing of the Inter-CCP Collateral, the General Terms and Conditions of Business for Clearing of Trading Platform Transactions (Swiss Law) (the "**GTCB**") and the Trading Platform Specific GTCB for Clearing of SSX Transactions (the "**Trading Platform Specific GTCB**").

Certain requirements set out in the GTCB and the Trading Platform Specific GTCB will be defined in more detail in these Clearing Terms. Capitalised terms used in these Clearing Terms shall, unless specifically provided otherwise, have the meanings given to them in the GTCB, the Trading Platform Specific GTCB and, where appropriate, any other documents of the Contractual Relationship as mentioned in the paragraph above.

The Clearing Terms are an integral part of the Rules & Regulations and together with Contract for Clearing Services, the Pledge Agreements for Margins and for the Default Funds, the Agreement for the Financing of the Inter-CCP Collateral, the GTCB and the Trading Platform Specific GTCB, constitute one contract, which governs the legal relationship between x-clear and the x-clear Member.

The specifications of the technical infrastructure (IT, communication, etc.) are described separately in the Business Partner Specifications and are published on the x-clear website.

### 2.0 List of securities eligible for clearing

The securities eligible for clearing are published in several lists according to product on the x-clear website.

### 3.0 Technical and operational specifications

The x-clear Member may not commence operations until it has confirmed in writing to x-clear that it has conducted tests showing it is technically and operationally ready to go productive.

The relevant confirmation form will be provided to the x-clear Member by x-clear in connection with application for membership.

### 4.0 Off-order-book trades

x-clear will also act as the Central Counterparty in SIX Swiss Exchange off-order-book trades. Where both parties to an off-order-book trade are either x-clear Members or x-clear NCMs, x-clear will enter into the off-order-book trade as the Central Counterparty if the off-order-book trade can be accepted into clearing under the present Clearing Terms, this not being the case during the period from 7 pm to 8 am CET.

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x-clear can reject and cancel an off-order-book trade until the end of the first trading day after matching (T+1).

Where an off-order-book trade is rejected by x-clear, a notice of rejection will be sent manually (by fax, e-mail, etc.) to SIX Swiss Exchange. The x-clear Members concerned will be notified by SIX Swiss Exchange of the rejection. The bilateral agreement between the two x-clear Members will remain in force. This notwithstanding, the x-clear Members must re-enter the off-order-book trade, but do not need to issue a clearing order. SIX Swiss Exchange will subsequently send a notice of cancellation to x-clear.

### **5.0 Margins**

#### **5.1 Total margin**

The total of all Margin requirements for all Exchanges and MTFs in respect of which x-clear provides Clearing corresponds to the Initial Margin multiplied by the risk rating coefficient, taking into account the Variation Margin.

The amount of Permissible Collateral required to be provided by an x-clear Member is reviewed by x-clear on a regular basis to enable a prompt response to market developments and to any changes in an individual x-clear Member's situation.

If an x-clear Member is an SSX Member or a participant in other Exchanges and MTFs in respect of which x-clear provides Clearing, the Margin requirement for all such Exchanges and MTFs (including the SSX and other Trading Platforms) in which the x-clear Member is a participant can be consolidated on the basis of all Outstanding Contracts (for the purpose of these Clearing Terms, this term refers to unsettled contracts with x-clear as Central Counterparty arising from transactions on all Exchanges and MTFs in respect of which x-clear provides Clearing) of each such Exchange and MTF. All Margin requirements are computed in Swiss francs (CHF).

#### **5.2 Initial margin and risk rating coefficient**

##### **5.2.1 Initial margin**

###### **5.2.1.1 Principle**

The initial margin is continually calculated on the basis of the net positions in all Outstanding Contracts of Exchanges and MTFs for which x-clear provides Clearing for each security held by the x-clear Member. In the case of multiple listed Securities, the x-clear Member's open position as well the Initial Margin will be computed by taking into account that member's net position from Outstanding Contracts on all Exchanges and MTFs in respect of which x-clear provides Clearing. In so doing, the maximum value resulting from the calculation of the short-term and long-term VaR is decisive. For the calculation of the Initial Margin, Securities are allocated to different risk buckets.

Using the historic Value-at-Risk model, the current VaR is calculated per Security. For this purpose, the historic data of the previous 2 years (approximately 500 working days) are



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adopted for the long-term VaR and the previous 3 months (approximately 90 days) for the short-term VaR, by calculating the 2-day VaR for equities and ETFs and the 7-day VaR for bonds, based on a confidence interval of 99% for equities, ETFs and bonds. The VaR is generally calculated on a weekly basis; in case of difficult market conditions, it may also be calculated daily.

If the same Securities are traded on different stock exchanges and MTFs, they are subject to the same risk bucket structure. Risk buckets are formed at intervals of 5% for equities and ETFs and 1.5% for bonds. Securities eligible for clearing with similar risks (defined by the VaR) are allocated to the same buckets and, for this purpose, the respective differentiated Initial Margin is calculated on the basis of the positions that have been netted per bucket.

### Bucket structure for equities and ETFs

Risk bucket	VaR range in %	Initial margin in %
No. 1	0 to 5	3.5
No. 2	5 to 10	7.5
No. 3	10 to 15	12.5
No. 4	15 to 20	17.5
No. 5	20 to 25	22.5
No. 6	25 to more	27.5

### Bucket structure for bonds

Risk bucket	VaR range in %	Initial margin in %
No. 1	0 to 1.5	0.75
No. 2	1.5 to 3	2.25
No. 3	3 to 4.5	3.75
No. 4	4.5 to 6	5.25
No. 5	6 to 7.5	6.75
No. 6	7.5 or more	8.25

For all Securities where trading prices are not available during a period of at least 250 Exchange or MTF trading days, the expected VaR amounts to between 10% and 15% for equities and ETFs and between 3% and 4.5% for bonds.

#### 5.2.1.2 Risk netting coefficient I (intra-bucket)

Due to the fact that the Securities contained in a bucket do not correlate perfectly, a risk netting coefficient (based on the average correlation) is used to net the respective Securities positions within the same bucket (risk netting coefficient I). For each Security, the Initial Margin is therefore calculated first on the basis of the net position (long or short) in that Security. Subsequently, the total of all net long positions and the total of all net short positions of the same bucket are netted using the risk netting coefficient I for the smaller of both values.

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### 5.2.1.3 Risk netting coefficient II (inter-bucket)

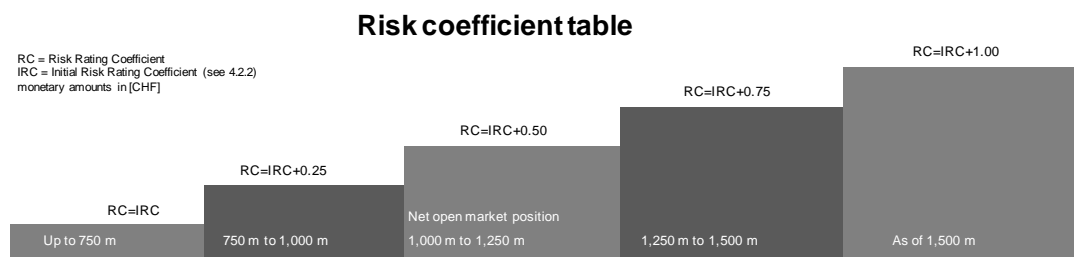
Additionally, a further risk netting coefficient is applied between the risk buckets of the same asset class. The net Initial Margins per risk bucket are aggregated across all buckets, taking into account the algebraic sign (plus/minus). This results in the total of the Initial Margins net long and the total of the Initial Margins net short. The smaller of these two figures is multiplied by the inter-bucket coefficient and the Initial Margin is reduced by that amount.

### 5.2.1.4 Initial margin

Initial Margin requirements vary in real time with each transaction in a Security. The total amount of the Initial Margin is derived from the net position of all Outstanding Contracts relating to Securities and arising from transactions on all Exchanges and MTFs Cleared by x-clear contained in a risk bucket, by adding up all buckets.

### 5.2.1.5 Extreme net open risk position

In the case of extreme net open positions of a participant, (i.e. the absolute values of a net long minus a net short position) of CHF 750 million or above (taking into account the consolidated position of the x-clear Member across all Exchanges and MTFs cleared by x-clear), the participant's existing risk rating coefficient is increased for the period in which this situation persists, i.e. the Initial Margin requirements are accordingly higher (see table below). The x-clear Member will be informed in the event that its Initial Margin requirements are increased on this basis.



### 5.2.2 Risk rating coefficient

The risk rating coefficient depends on the x-clear Member's credit rating and has a direct bearing on the Initial Margin requirements. The risk rating coefficient is the factor by which the Initial Margin is multiplied to arrive at the Initial Margin requirement. x-clear accepts ratings from the following external rating agencies:

- Standard & Poor's
- Moody's
- FITCH/IBCA

The risk rating coefficient takes into account the probability of non-performance on the part of an x-clear Member. The risk rating coefficient is determined on the basis of the Member's



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credit rating and is used to weight the Initial Margin, i.e. Initial Margin requirements increase or decrease depending on the x-clear Member's credit rating.

The level of the risk rating coefficient is reviewed at least once a year and is determined as follows:

Rating			Risk coefficient
Standard & Poor's	Moody's	FITCH	
AAA to A-	Aaa to A3	AAA to A-	1
BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	1.5
BB+ to BB-	Ba1 to Ba3	BB+ to BB-	2
B+ or lower	B1 or lower	B+ or lower	determined case by case

x-clear uses the long-term rating. If several ratings are available, the second-best rating is used.

If an institution does not have an external rating or the external rating deviates strongly from x-clear's credit assessment, x-clear will determine an internal rating by means of a benchmarking process. Major benchmarking criteria include:

- Capital resources
- Degree of self-financing
- Profitability
- Background (company history/ownership structure, etc.)
- Domicile
- Reputation

### 5.3 Variation margin

The Variation Margin requirement covers market price fluctuations that impact upon open positions per Security. The Variation Margin requirement is marked to market several times daily, normally every hour, on the basis of the net position of all Outstanding Contracts of the x-clear Member per security. The level of the Variation Margin depends solely on the market valuation. Positive and negative values (price gains/losses) are netted out across all Securities. Based on these values, negative values are charged additionally while positive values offset Initial Margin requirements.

### 5.4 Margin calls

If, at any time, the Margin provided is insufficient, or if the value of the Default Fund falls below x-clear's requirements for whatever reason, such that there are outstanding obligations of an x-clear Member to pay Default Fund Contributions, x-clear will automatically issue a Margin call in real time denominated in Swiss francs (CHF).

The following rules apply:

1. The margin call is in principle to be met in the form of cash.

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2. Every member is required to designate an account which x-clear is entitled to debit with the amount of the margin call in accordance with the General Terms and Conditions of Business (Swiss law). The following types of account may be used:
  - a. Swiss Interbank Clearing Account (“**SIC account**”); or
  - b. Ordinary money account at SIS SIX Ltd (“**SIX SIS**”).

The x-clear Member may designate one charge account only (SIC or ordinary money account at SIX SIS). Generally, a SIC account is required for margin calls. Usage of an ordinary money account of SIX SIS is only accepted on an exceptional basis and until revocation by x-clear.

For credits, x-clear will open an x-clear money collateral account at SIX SIS for each member in accordance with Art. 8.2.1.2 of these Clearing Terms.

3. Each margin call must be met within sixty minutes after the call is issued to the x-clear Member.
4. If the margin call is not satisfied by the x-clear Member within the stipulated time and the Margin requirements have still not been met by no later than one hour before the start of trading on the next Business Day, Clearing by x-clear of future SSX Transactions to which that x-clear Member is a party shall be suspended from that time and x-clear shall cease to act as Central Counterparty in respect of that x-clear Member. x-clear will have an option at the same time to issue a Default Notice and declare the x-clear Member to be in Default. Any Default of an x-clear Member will be notified to SSX.

### 5.5 **Margin deposits**

#### 5.5.1 **Collateral values**

x-clear will generally accept different types of collateral as Permissible Collateral For further details see the separate lending norm rules which are described in the “Lending Norm” and can be accessed on the x-clear website at [www.six-x-clear.com](http://www.six-x-clear.com). Any Permissible Collateral deposited is accounted for at market value subject to a Haircut. Due to the Applicable Law, Securities and others instruments issued in the United States of America cannot be accepted as Permissible Collateral.

Permissible Collateral must be replaced 15 days prior to the maturity of the relevant instrument posted as collateral. Following the expiry of the maturity date of an instrument posted as collateral, it shall not longer be deemed to satisfy the x-clear Member’s Margin requirements.

Bonds must in principle be eligible for repo transactions with the Swiss National Bank (SNB).

Upon request, other types of collateral can be examined for eligibility by x-clear on a case-by-case basis.



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### 5.5.2 Delivery into the x-clear Collateral Account

Every x-clear Member may transfer Margin deposited in its respective Collateral Account as required by the Margin requirements of x-clear (“**Margin Deposits**”) to the x-clear Collateral Accounts at all times. The transfer is effected via an ATF (MT542 or MT598-100) instruction for Securities or MT202 instruction for cash transfers, which is to be issued by the x-clear Member. x-clear accepts as Margin Deposits only the Permissible Collateral defined in Art. 5.5.1 of these Clearing Terms.

### 5.5.3 Withdrawal from the x-clear Collateral Account

The withdrawal of Margin Deposits may be instructed automatically by each member (ATF or MT 202/200) or manually by x-clear. The x-clear Member is, in the case of manual processing, required to submit an appropriate request to x-clear. This may be in writing and/or by fax and/or by email. Margin deposits may be withdrawn only when no longer needed to satisfy the x-clear Member's Margin requirements. If an x-clear Member wishes to replace Margin Deposits, the new Permissible Collateral must be delivered prior to withdrawing the old Permissible Collateral.

Margin Deposits requested by 5:00 pm CET will be delivered to the x-clear Member on the same day by taking into account the currency transfer deadlines of SIX SIS; requests received after 5:00 pm CET will be executed as soon as reasonably practicable.

## 6.0 x-clear Default Fund for SIX Swiss Exchange

The amount of the Default Fund Contribution payable by the x-clear Member into the x-clear Default Fund for SIX Swiss Exchange is dependent both on the membership category (x-clear ICM/x-clear GCM) and on the Average Gross Open Position of the previous three months.

The value of the Securities and/or currencies (in relation to cash) deposited by way of Default Fund Contribution is calculated on the basis of their current market value after applying the applicable Haircut (published on the x-clear website) and not on the nominal value of the Securities or currencies deposited.

The types of Permissible Collateral and their respective values are specified in Clause **Fehler! Verweisquelle konnte nicht gefunden werden.** of these Clearing Terms. However, Securities which are equity securities (including, but not limited to, shares in the capital of a company, or other securities or instruments with a similar or higher risk profile) will not be accepted as Permissible Collateral for the Default Fund. If applicable, Permissible Collateral in the form of Securities must be replaced fifteen days prior to the maturity date or redemption of the Securities (and from the date of such replacement, such Securities cease to be treated as a Margin Deposit).

## 6.1 Definitions

### Average Gross Open Position

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The Average Gross Open Position is calculated monthly on a gross basis by reference to the Daily Gross Open Positions arising from the relevant stock exchange or MTF during the preceding three months. The daily gross open position is defined as the total of all open positions of an x-clear Member at the end of a settlement day.

### 6.2 Additional Default Fund Contributions

x-clear Members are obliged to make additional Default Fund Contributions to the x-clear Default Fund for SIX Swiss Exchange if one of the following situations occur:

#### 6.2.1 Change in gross open position over the previous three months

There is a change in the x-clear Member's Average Gross Open Position over the previous three months. The Average Gross Open Position over the previous three months is calculated on a monthly basis according to Clause 6.1 of these Clearing Terms. A change in the Average Gross Open Position (increase/decrease) will necessitate an adjustment to the Default Fund Contribution to be made. The amount of the Default Fund Contribution is adjusted in accordance with Clause 6.4 of these Clearing Terms.

If the contribution needs to be adjusted, the relevant x-clear Member shall be notified of the same. The adjustment must be effected within two calendar days of the notification. If the additional Default Fund Contribution is not made within the stipulated period of two calendar days, x-clear will issue a Margin call and perform a direct debit.

The debit is made to the x-clear Member's designated account for direct debits applicable to Margin requirements in accordance with Clause 5.4 of these Clearing Terms. The provisions of Clause 5.4 above apply to Margin calls issued under this Clause 6.2.1.

#### 6.2.2 Price fluctuations

If, as a result of a diminution in the value of the Permissible Collateral provided by way of a Default Fund Contribution, the Default Fund Contribution requirements are not met and x-clear notifies the x-clear Member of the same. The x-clear Member shall provide additional Permissible Collateral within sixty minutes of being so notified by x-clear.

### 6.3 Drawdown on x-clear Default Fund for SIX Swiss Exchange (replenishment duty)

Each x-clear Member is obliged to provide additional collateral in favour of the SSX Default Fund in an amount not exceeding that x-clear Member's current Default Fund Contribution liability in respect of the SSX Default Fund. x-clear can demand that additional Permissible Collateral be provided if the SSX Default Fund is used on one or more occasions. This obligation to provide additional Permissible Collateral may have to be met in one single instalment (full drawdown on the entire SSX Default Fund) or, in the event that several drawdowns are made and the first drawdown does not exhaust the entire SSX Default Fund, in several instalments (partial drawdowns). The amount of additional Permissible Collateral to be provided by each x-clear Member is calculated on a pro rata basis, i.e. corresponding to the proportion which each Member's Default Fund Contribution liability bears to the total existing size of the SSX Default Fund. Notifications requiring the x-clear Member to provide

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additional Permissible Collateral in favour of the SSX Default Fund will be made by x-clear to x-clear Members in writing.

Permissible Collateral by way of Default Fund Contribution to restore the amount drawn down must be transferred to x-clear within five Business Days of the drawdown.

### 6.4 Amount of contribution

The Default Fund Contribution liability towards the Default Fund for SIX Swiss Exchange is secured by means of a Regular Pledge governed by Swiss law in favour of x-clear and is determined monthly on the basis of the participant's Average Gross Open Position over the preceding three months in proportion to the Average Gross Open Position of the remaining x-clear Member. The following minimum contributions apply (with no upper cap limit):

- x-clear ICM: Swiss francs (CHF) 0.5 million
- x-clear GCM: Swiss francs (CHF) 5.0 million

All Default Fund Contributions are rounded up to the next Swiss franc (CHF) 0.5 million increment. An upfront Default Fund Contribution defined by x-clear will be required for the initial phases of the Clearing of MTF XY Transactions.

### 6.5 Delivery and withdrawal of pledged collateral into and from the Default Fund

The pledged collateral for the Default Fund will remain in the x-clear Member's Default Fund Collateral Account (Securities and/or cash) at SIX SIS. A corresponding pledge entitlement for x-clear will be annotated on the x-clear Member's account.

### 7.0 Order of realisation of collateral (defence lines)

The Initial Margin, the Variation Margin and the Default Fund shall be realised/sold on the open market in the circumstances provided for in the GTCB and the Pledge Agreements in the following order:

- Margins provided by the Defaulting x-clear Member;
- Default Fund Contributions of the Defaulting x-clear Member to the SSX Default Fund;
- Per calendar year, a maximum of 50% of available free reserves set aside by x-clear to satisfy outstanding obligations of the x-clear Member following a Default;
- Default Fund Contributions of non-Defaulting x-clear Members to the SSX Default Fund;
- Additional collateral (whether or not Permissible Collateral) arising from the replenishment of the SSX Default Fund; and
- The remainder of x-clear's provisions and its capital and reserves.

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The purpose of this Art. 7 and, inter alia, the provision of Margin and Default Fund Contributions is to address and prevent the incidence of systemic risk that may arise in relation to Clearing, the SIX Swiss Exchange and other platforms operated by other Exchanges or MTFs in respect of which x-clear provides Clearing.

### 8.0 Account structure

Each x-clear Member is required to maintain specific accounts for the purposes of Clearing. It is immaterial for this purpose whether the x-clear Member is an x-clear GCM or an x-clear ICM. A distinction is made between Clearing accounts, Collateral Accounts for Margins as well as Collateral Accounts for the Default Fund and Financing Contribution Accounts. x-clear Members have to maintain cash and custody accounts for collateral management at SIX SIS (on behalf of x-clear). SIX SIS account query options are defined in the Business Partner Specifications.

#### 8.1 Clearing Accounts

The x-clear Member's Outstanding Contracts from trades effected on SSX are recorded in Clearing Accounts. The Clearing Accounts are maintained at x-clear.

As standard, x-clear will open two Clearing Accounts (House and Client) for x-clear Members who are x-clear GCMs. Trades which the x-clear GCM is Clearing for itself will be allocated to the House Account and those being Cleared by the x-clear GCM for x-clear NCMs will be allocated to the Client Account.

On the basis of the net positions of all Outstanding Contracts per Security, the required Margin is calculated on the basis of these Clearing Accounts and matched against the Permissible Collateral.

#### 8.2 Margining

##### 8.2.1 x-clear collateral accounts for margin deposits

For the purpose of posting the Margins, x-clear will open for each x-clear Member collateral accounts (cash and Securities) at SIX SIS in the name of x-clear. The Permissible Collateral will be provided to x-clear by way of an Irregular Pledge under the Pledge Agreement for Margins. x-clear is not entitled to re-use Permissible Collateral.

The extent of usage of the collateral can be called up by the x-clear Member at any time.

##### 8.2.1.1 x-clear Securities Collateral Account

x-clear accepts cash and Securities as Permissible Collateral in accordance with Art. 5.5.1 of these Clearing Terms.

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### 8.2.1.2 **x-clear Cash Collateral Account**

In addition to collateral in the form of Securities, x-clear Members may also provide collateral in the form of cash. x-clear will open a Cash Collateral Account for each currency in which cash is provided.

### 8.2.2 **Dispo Collateral Accounts**

At the end of each Business Day x-clear will transfer any Permissible Collateral not required to meet Margin requirements (Securities and/or cash) from the x-clear Collateral Accounts to the relevant Dispo Collateral Account(s) operated on behalf of the x-clear Member. Permissible Collateral which is transferred from the Securities or Cash Collateral Account(s) to the Dispo Collateral Accounts shall be rounded down to the next smallest unit (for cash) or denomination (for Securities).

At the beginning of each Business Day x-clear will transfer any Permissible Collateral in the Dispo Collateral Accounts from the x-clear Member's Dispo Collateral Accounts to the x-clear Collateral Accounts.

### 8.3 **Default Fund Collateral Account**

x-clear will open Default Fund Collateral Account(s) at SIX SIS for each x-clear Member (Securities and/or cash). The accounts will be in the name of the x-clear Member. The credit balance of the Default Fund Collateral Accounts will be pledged to x-clear by means of a Regular Pledge under the Pledge Agreement for the Default Funds as governed Swiss law.

### 8.4 **Financing Contribution Accounts**

x-clear will open Funds Financing Contribution Account(s) at SIX SIS for each x-clear Member (Securities and/or cash).

The Financing Contribution Accounts at SIX SIS will be in the name of x-clear. The credit balance of the Financing Contribution Accounts will be financed to x-clear according to the Agreement for the Financing of the Inter-CCP Collateral as governed by Swiss law.

In case of the default of x-clear, the Inter-CCP Collateral financed by the x-clear Members will be used to cover the inter-CCP exposure.

## 9.0 **Competitive Clearing**

A Co-CCP is a Central Counterparty appointed by SSX and party to a Link Agreement with x-clear. x-clear will always apply a risk coefficient of 1 for a Co-CCP. Co-CCPs are exempt from Default Fund Contribution requirements.

The x-clear Member acknowledges that x-clear may act on behalf of a Co-CCP to facilitate settlement performance or corporate action procedures to execute a buy-in or a late settlement regime, or other procedures as determined by the relevant Link Agreement. Further, the x-clear Member acknowledges that in accordance with the European Code of

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Conduct for Clearing and Settlement dated 7 November 2006 (including the Access and Interoperability Guidelines dated 28 June 2007) any part of the Contractual Relationship may be amended by x-clear as a consequence of an exercise by an incumbent Co-CCP of its rights to define the key principles and terms of interoperability or in order to ensure that x-clear can interoperate with such incumbent Co-CCP.

### 10.0 **Financing Contribution and Additional Financing Contribution**

Each x-clear Member shall, in addition to providing Margin and making Default Fund Contributions, provide (Additional) Financing Contribution to x-clear for the financing of the Inter-CCP Collateral. Such (Additional) Financing Contribution will be provided in accordance with and subject to the Agreement for the Financing of the Inter-CCP Collateral and as further described below. An (Additional) Financing Contribution shall be due only for interoperability markets.

#### 10.1 **Financing contribution**

The Financing Contribution of an x-clear Member has to be provided by way of Securities Funds and/or Currency Funds. The individual amount of the Financing Contribution has to be provided by each x-clear Member in proportion to the x-clear Member's Average Gross Open Position over the last three months on the relevant Trading Platform(s) in relation to the Inter-CCP Collateral. The calculation and allocation method for the Financing Contribution refers to the same approach as used for Default Funds.

The value of the Securities Funds and/or Currency Funds deposited for the purpose of a Financing Contribution is calculated on the basis of their current market value after applying the applicable Haircut (published on the x-clear website) and not on the nominal value of the Securities Funds or Currency funds deposited. All funds are rounded up to the next Swiss franc (CHF) 10,000 increment.

The Financing Contribution is calculated on a monthly basis and has to be delivered within two Business Days after receiving of a Utilisation Request.

The transfer is effected via an ATF (MT542 or MT598-100) instruction for Securities or MT202 instruction for cash transfer, which is to be issued by the x-clear Member. The x-clear Member is required to submit an appropriate request in writing, by fax or by email.

x-clear accepts as Eligible Securities and/or Eligible Currency (both as defined in the Agreement for the Financing of the Inter-CCP Collateral) only the products as defined in the Rules and Regulations, Lending Norms.

#### 10.2 **Additional Financing Contribution (credit call)**

##### 10.2.1 **Request of Additional Contributions**

x-clear Members are obliged to make Specific Additional Contributions (as defined in the Agreement for the Financing of the Inter-CCP Collateral) if any of the following occurs:

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### 10.2.1.1 Unusual Daily Gross Open Positions

If the sum of all Daily Gross Open Positions of all x-clear Members considerably deviates from the usual sum of the Daily Cross Open Positions of all x-clear Members (e.g. triple witching Friday) and if this deviation leads to a shortfall in the financing of the Inter-CCP Collateral, a credit call will be issued for all x-clear Members to cover the shortfall. The amount to be provided by each x-clear Member will be calculated in accordance with the provisions of the Agreement for the Financing of the Inter-CCP Collateral.

### 10.2.1.2 Price fluctuations

If, due to price fluctuations, the value of the Securities Funds and/or the Currency Funds allocated for the Financing Contribution decreases, this value is calculated on the basis of the current market value of such funds after applying the applicable Haircut (published on the x-clear website).

### 10.2.1.3 Delay in providing Financing Contribution

If the Financing Contribution is not delivered within 2 (two) Business Days upon receiving of the Utilisation Request, x-clear will issue a credit call and perform a direct debit.

### 10.2.2 Rules for providing Specific Additional Contributions

The following rules apply:

1. The calculation and allocation method for Specific Additional Contributions refers to the same approach as used for Default Funds.
2. The credit call for Specific Additional Contributions is in principle to be met in the form of Eligible Currencies.
3. Every x-clear Member is required to designate an account which x-clear is entitled to debit with the amount of the credit call. The following types of account may be used:
  - SIC account; or
  - Ordinary money account at SIX SIS.

Additional contributions will be transferred by x-clear to the Currency Funds Account.

4. Each credit call for Specific Additional Contributions during the month must be met within 60 minutes after the credit call is issued to the x-clear Member. If the credit call is not satisfied by the x-clear Member within the stipulated time, Clearing by x-clear of future SSX Transactions to which that x-clear Member is a party shall be suspended from that time and x-clear shall cease to act as Central Counterparty in respect of that x-clear Member.

x-clear will have an option at the same time to issue a Default Notice and declare the x-clear Member to be in Default. Any Default of an x-clear Member will be notified to SIX

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Swiss Exchange. The debit is made to the x-clear Member's designated account for direct debits applicable to Margin requirements in accordance with Clause 5.4 of these Clearing Terms.

### 10.3 **Withdrawal and replacement of (Additional) Financing Contribution into the x-clear Financing Contribution Accounts**

The withdrawal of Excess Funds (as defined in the Agreement for the Financing of the Inter-CPP Collateral) may be instructed manually by each x-clear Member or by x-clear. The x-clear Member is required to submit an appropriate request in writing, by email, fax or letter to x-clear.

If an x-clear Member wishes to replace Eligible Securities and/or Eligible Currency deposited for the purpose of (Additional) Financing Contribution, the new Eligible Securities and/or Eligible Currency must be delivered prior to withdrawing the old Eligible Securities and/or Eligible Currency.

Eligible Securities deposited for the purpose of a Financing Contribution must be replaced fifteen days prior to the maturity date or redemption of Securities (and from the date of such replacement, such Securities cease to be treated as a Financing Contribution).

### 11.0 **Settlement**

#### 11.1 **General remarks**

The settlement of stock exchange transactions remains the responsibility of the Approved Settlement Systems. For SIX Swiss Exchange, this is SIX SIS and SIX x-clear.

Each x-clear Member must have appropriate settlement arrangements in place to enable Settlement to take place in accordance with these Clearing Terms. x-clear will use SIX SIS as its custodian for settling its leg of the settlement instruction.

In this section the term "transaction" will be understood as meaning the settlement of contracts arising from an open offer or off-order-book trades.

In the event of an x-clear Member defaulting, x-clear may block any contracts arising from an open offer or off-order-book trade from the settlement process. x-clear will notify the x-clear Member accordingly by fax, followed by formal written confirmation.

The settlement instructions are structured as follows from the point of view of the x-clear Member:

<b>Counterparty</b>	x-clear CH112114
<b>Instruction type</b>	Inhouse
<b>Instruction placement</b>	Directly by SIX Swiss Exchange

The following table shows the service scope of SIX SIS:



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Settlement netting		No
Shaping of net transactions		Yes
Splitting transactions	Gross	No
	Net	Yes*

\* manual

### 11.2 Settlement netting

x-clear offers optional net settlement to its members for SSX Transactions which are subject to Clearing by x-clear. Net settlement reduces the settlement transactions to one or more transactions per security/currency and trade date. Settlement netting will have no impact on the Margining of open positions. The x-clear Member must indicate the netting preference details in the static data form of SSX and x-clear. In principle, all trades effected in the course of one day on the same clearing account are netted on a per security and per currency basis.

x-clear allows optional Trade Date Netting (“**TDN**”) for x-clear Members for SSX Transactions subject to Clearing by x-clear. Such netting will be performed after the clearing window at the SSX Trading Platform is closed for the trading day.

The gross/net settlement instructions are instructed to SIX SIS by x-clear on behalf of members upon completion of trade date netting at x-clear. The member entitles x-clear to submit settlement instruction to SIX SIS on behalf of the member.

### 11.3 Shaping

As a result of the netting mentioned in Art.11.2 above, the net settlement transaction may represent a substantially large size in terms of amounts payable in respect of it (as determined by x-clear at its discretion). To prevent such large sizes, the x-clear Member may instruct x-clear to specify a maximum amount per currency for the net settlement transaction. Where the net transaction amount in relation to a net settlement transaction exceeds this cap, a "shaping" process takes place, in which the net settlement transaction is divided into a number of net settlement transactions of smaller amounts.

x-clear will support net settlements in SIX SIS up to a cap of CHF 100 million per settlement transaction.

### 11.4 Splitting

x-clear will endeavour to forward the securities received from the seller to the buyer as quickly as possible. For this reason, x-clear avails itself of the splitting functionalities made available by the Approved Settlement Systems.

### 11.5 Strange nets / Exotic instructions for OTE-Transactions

Strange nets and exotic instructions will only be offered for over-the-exchange transactions (OTE) concluded outside of the order book of SSX where orders of SSX members match with the orders of Liquidnet Members through Liquidnet operating the service for Mid-Point Matching between the two Trading Platforms. If the netting of settlement instructions results



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in any of the following exotic instructions, namely security and money transactions, money-only transactions or null deliveries, then special treatment is applied to such “strange nets”, “exotic instructions” or “odd settlements”.

x-clear offers clients a choice as to how strange nets are handled. The options offered include:

- Direct strange net settlement: only where the local CSD allows for strange net settlement.
- Second level shaping: which divides the strange nets into a combination of Versus Payment and Free of Payment Instructions.
- Aggregation: which separately aggregates gross buys and nets to net RVPs and DVPs.
- Segregation: which separates securities and cash to independent instructions.
- x-clear will extend its services to give to the x-clear Members an additional choice of directional netting, which aggregates the gross buys and sells separately to net RVPs and net DVPs.

### 12.0 Late Settlement and Buy-In

To support the settlement discipline and fulfil the settlement obligations, x-clear may take the following measures:

#### Late settlement procedure consisting of

- Late settlement fee
- Securities lending and borrowing

#### Buy-in procedure

A late settlement fee regime for SIX Swiss Exchange is in place.

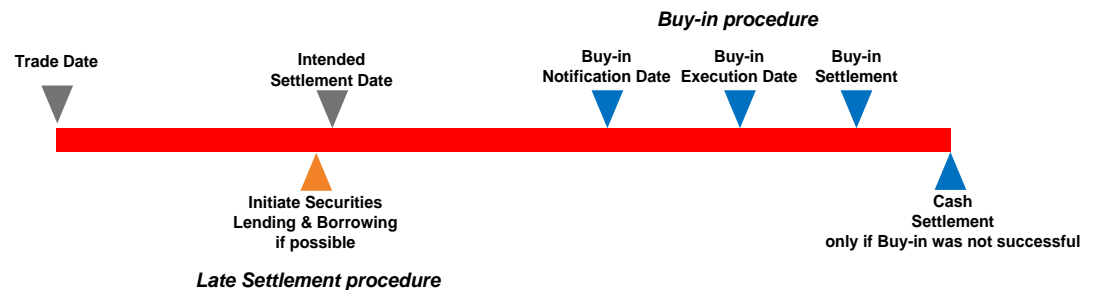
A late settlement fee for other specific execution venues will only be introduced if the settlement discipline is not satisfactory for this execution venue. A corresponding clearing notice will be issued in due time to announce the start of the late settlement fee regime.

A buy-in regime is in place for all execution venues from the start. The buy-in periods and schedules may change over time and may be different from venue to venue. Corresponding deviations from the schedule in this document are announced in due time via clearing notices.

The graphic below shows a generic overview of the schedule of these procedures.

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If settlement is not anticipated for the intended settlement date (ISD), x-clear may engage in securities lending and borrowing to enable the trade to settle despite the seller's non-delivery. A late settlement fee may be charged to the failing x-clear Member (seller). Half of this fee would be passed on to the buying x-clear Member in cases where it was not possible to borrow the relevant products.

If the seller has not delivered securities in time, a buy-in process will be started after a certain market-specific time period. x-clear, as the formal counterparty to the buyer, will acquire the missing securities in the market and pass on the costs incurred to the failing seller. The aim of performing a buy-in process is to ensure liquidity in the market and to fulfil agreed trades in a reasonable timeframe.

Currently, established rules (market practice) for buy-in differ significantly in local markets. Harmonising the rules applied would increase the efficiency and transparency of the buy-in process and benefit market participants (Giovannini Barrier 6). Negotiations have started with the aim of replacing current market practice by more standardised terms. Therefore, buy-in rules currently regarded as market practice are presented in this document, as a complement to x-clear's market-specific user guides. If market standards change, x-clear may decide to align its processes with the market in order to offer an optimal service to clients.

For a detailed description of the Late Settlement and Buy-in procedure please refer to the separate Late settlement and Buy-in Guide on the x-clear website. The Addendum to the Clearing Terms entitled "Late Settlement and Buy-In Guide" forms an integral part of these Clearing Terms.

## 13.0 Corporate actions

The terms used in the present article are described in detail in the SIX SIS MarketGuide Switzerland published at [www.six-sis.com](http://www.six-sis.com) > Private > MarketGuide > Country Information > Switzerland

The execution of corporate actions for securities that are already in the account (existing positions) differs from the execution for securities that are yet to be delivered.

Distributions on existing positions are made in accordance with the market rules of the settlement system with which the securities are deposited. Distributions on positions that are deposited with SIX SIS as collateral in favor of x-clear are made directly by the main paying agent to the participant, i.e. not via x-clear.

A small, square inset image in the top left corner showing a close-up of a computer mouse button.

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For distributions for securities whose delivery is outstanding, two types of corporate actions exist:

- Mandatory corporate actions
- Voluntary corporate actions

### 13.1 **Mandatory corporate actions / Compensation**

For trades that are traded "cum" and are settled on or after the ex date, compensation payments are made in all settlement systems. These systems transfer the distribution from the seller to the buyer. The necessary transactions are automatically generated by the settlement systems.

x-clear is also the Central Counterparty for compensation; compensation is therefore subject to x-clear's risk management until settlement.

#### 13.1.1 **Timeline for the settlement of compensation**

SIX SIS settles on either the settlement date of open transactions or the payment date of the corporate action, whichever is later.

#### 13.1.2 **Withholding tax on compensation**

SIX SIS applies the standard withholding rate for compensation payments (tax rate without consideration of any double taxation treaty).

#### 13.1.3 **Rounding down in case of securities distributions**

In the case of compensation due to securities distributions, the distribution is rounded down to the nearest whole number of securities by SIX SIS.

### 13.2 **Voluntary corporate actions**

#### 13.2.1 **Buyer election on Swiss securities**

If, in respect of a voluntary corporate action, x-clear delivers securities late to an x-clear Member, and the latter is then unable to forward these securities on time to the main paying agent, that member may contact x-clear and have the voluntary corporate action settled via x-clear. In turn, for the purpose of this settlement, x-clear will seek out those members responsible for the delay. The following conditions apply:

**Trades which entitle the buyer to effect a buyer election with x-clear:**

- Trade date = election deadline -1 or earlier AND
- Contractual settlement date = payment date (delivery date) -1 or earlier

**Trades by sellers who can be called upon by x-clear to settle the corporate action:**



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- Trade date = election deadline -1 or earlier
- Contractual settlement date = payment date (delivery date) -1 or earlier
- Actual settlement date = payment date (delivery date) 12 noon (CET) or later

### **Timeframes for contacting the involved parties:**

All deadlines and information on the process are published in the User Guide Switzerland published at [www.six-x-clear.com](http://www.six-x-clear.com) >Clearing > MTF > User Guides > Switzerland

### **Settlement of the voluntary corporate action:**

Sellers appointed by x-clear must settle the option chosen by x-clear according to the conditions valid for the voluntary corporate action on the payment date (delivery date) + 4. The relevant settlement instructions will be automatically generated by x-clear. Sellers must ensure that on the settlement date they have the necessary assets in the system to be able to effect settlement. Settlement between x-clear and the buyers will also be effected on the payment date (delivery date) + 4 at the conditions valid for the voluntary corporate action. The relevant settlement instructions will be automatically generated by x-clear.

### **Exchange of messages with respect to elections and allocations**

In principle, elections and allocations should be reported using standardized electronic messages. In exceptional cases, faxes may be used. The standardized electronic messages can be transmitted to SIX SIS via MT565. They must contain information on the pending transaction and the chosen corporate action option. The exact specifications are stipulated in SIX SIS's Business Partner Specifications.

After receiving the election, x-clear will perform a corresponding allocation to one or several transactions of sellers. Sellers are informed with MT565 messages about the allocation.

### **13.3 Technical interruptions**

Should technical problems occur in forwarding an election via the settlement systems on the last day (deadline) of the buyer election, it must be transferred via fax on an exceptional basis.

### **14.0 Agent trades**

An x-clear Member will always act for x-clear solely in the capacity of principal. Agent trades are not possible.

### **15.0 Obligations resulting from CHF Bonds traded on the last trading day on SIX Swiss Exchange**

CHF Bonds traded on SIX Swiss Exchange and cleared by x-clear can be traded until three days before redemption. This means that trades executed on the last possible trading day would settle on the redemption date (T+3). To allow the redemption to be processed in time, the corporate action function cancels the open trades early on the redemption date. It is



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important to understand that this is only a technical cancellation. All obligations resulting from the execution of the trade will remain valid and the contract remains a binding offer to buy or sell a certain quantity of one security at an agreed price (see Rule Book of SIX Swiss Exchange). An example of such an obligation is therefore the settlement of the price difference between the amount resulting from the trades executed and the redemption amount.

Another important aspect is tax. The beneficial owner of the bonds at the moment of the corporate action (i.e. redemption) is the seller and not the buyer. This could have an impact on the applicable tax.

Therefore the impact on market participants may include the following:

- Differences between the redemption amount and the agreed trading/settlement amount have to be settled. To fulfill the transfer of cash redemption proceeds, members should bilaterally conclude this as they do today in similar products or, in exceptional cases, contact x-clear.
- Disadvantageous tax constellations have to be resolved with respect to a settlement that takes place before the redemption date. Please note that x-clear cannot correct tax implications if they occur.

### **16.0 Amendments to the Clearing Terms**

The present Clearing Terms may be amended in accordance with the provisions of the Contract for Clearing Services.

### **17.0 Address for x-clear Members wishing to contact x-clear in accordance with the GTCB**

SIX x-clear Ltd  
Brandschenkestrasse 47  
8002 Zurich  
Switzerland  
xclearops@sisclear.com

The contact details are mentioned in the list of SIX x-clear contacts published at [www.six-x-clear.com](http://www.six-x-clear.com) > Contacts > Risk Management.

**SIX Securities Services**  
Brandschenkestrasse 47  
CH-8002 Zurich

Mailing address:  
P.O. Box 1758  
CH-8021 Zurich

T +41 58 399 4311  
F +41 58 499 4311  
[www.six-securities-services.com](http://www.six-securities-services.com)