

### Clearing Notice No 3

Zurich, 6 June 2005

Dear clients

In the SIS x-clear service description published in October 2004 (chapter 4.3.3), we announced that risk netting coefficients would be introduced in June 2005.

After in-depth consultation with our clients, we are pleased to confirm that the following coefficients will be applied as of 1 July 2005:

**a/ for intra-bucket netting: 0.8**

**b/ for inter-bucket netting: 0.4**

At the same time, the initial margin for the first risk bucket (BU01) will be increased from 2.5% to 3.5%.

The bucket is calculated as shown in the following example:

Bucket	ISIN	Long/Short	Open positions (CHF)	IM (%)	Margin	Bucket margin	Net bucket margin	Inter-bucket reduction	Total margin (CHF)
BU01	A	Long	1,000.00	3.5	35.00	35-			
						(24.5*0.80)=			
BU01	B	Short	-700.00	3.5	-24.50	<b>15.40</b>	10.50		
BU02	C	Long	400.00	7.5	30.00	60-(30*0.80)		10.50*0.40=	15.40+36
						= <b>36.00</b>		<b>4.20</b>	-4.20= <b>47.20</b>
BU02	D	Short	-800.00	7.5	-60.00		-30.00		

This means that by applying the **intra-bucket coefficient** the margins are on the one hand increased, and on the other hand reduced again accordingly by the **inter-bucket coefficient**. Our simulations have shown that with this calculation method the margins required from participants are approximately the same as before. However, the main advantage offered by the introduction of intra- and inter-bucket netting is a closer and more finely tuned congruence with market risks.