

The coming of age for clearing and settlement

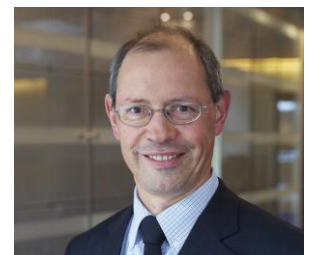
In the midst of an economic crisis not seen in decades, clearing and settlement has emerged as one of the few success stories of 2008. The successful transfer of trades following Lehman Brothers historic collapse in September 2008 was a major component in the clean-up operation and firmly placed the spotlight on the clearing and settlement operations that underpin many markets.

Although the road to interoperability has been far from smooth, the industry is certainly moving in the right direction. SIX x-clear are staunch in our support because we know that it works. Our model has worked successfully even in these turbulent times – contradicting comments put forward by a few commentators who believe that interoperability actually increases risk. When the LSE allowed its clients a choice of CCP provider and SIX x-clear joined LCH.Clearnet – UBS, the largest single provider of trading liquidity on the LSE, immediately moved all UK equities to SIX x-clear, allowing the bank to combine its UK flow at one clearer and thereby drive down the unit cost of clearing. UBS' move highlights the worth of the dual CCP model – namely the ability to pass cost and operational benefits on to clients.

Interoperability is not a dirty word, and if managed properly it does not create new or additional risks and very little is heard once an institution decides to change provider. In the world of clearing, silence is golden, as it means that all trades are being cleared successfully. Since the LSE's decision, we have seen institutions such as NASDAQ OMX, Chi-X Europe, Turquoise, BATS Trading and many others all proclaim the merits of a competitive clearing system and we envisage this support will grow as further success stories emerge.

Marco Strimer, CEO, SIX x-clear

> Welcome	01
> The coming of age for clearing and settlement	01
> Latest news	02
> Update	02



Marco Strimer
CEO, SIX x-clear

The past year has seen the spotlight placed firmly over the clearing and settlement industry. As the market continues to evolve, client communication grows ever more important, and as a user owned, user governed organisation this is an important value that has always been a priority.

As such, I'm pleased to welcome you to the first edition of *Insight*, SIX x-clear's new quarterly newsletter, which we hope will enhance the open dialogue we have always enjoyed. As always, I look forward to your feedback.

Latest news

NASDAQ OMX – Preparing for competitive clearing in the Nordics

In a year where there has been much change for the Nordic market to absorb, competitive clearing and interoperability are two new terms that are steadily becoming more widely understood. SIX x-clear already operates in a multi-CCP environment in the Swiss and UK equity markets and has built up a significant wealth of understanding and expertise. By the end of November 2009, we will also be live with several MTF trading venues and we look forward to sharing our experiences with the Nordic region. We are confident we will make interoperability a reality in the Nordic equity markets and welcome the addition of NASDAQ OMX as a trading venue, due to go live in Q1 2010. Prior to this, there are a number of preparatory tasks which fall into two core areas:

Local CSD Settlement: SIX x-clear is to become a member of each appropriate CSD in the market, and the application process for this important next step is underway.

Regulatory approvals: We are in constant contact with each of the securities regulators, which has enabled us to establish a personal relationship and understand fully the key issues for each regulator.

Update

Opening of a new Stockholm office headed by Ann Flodström

We are pleased to show our commitment to the Scandinavian market with the recent opening of our Stockholm office and the appointment of Ann Flodström. Ann has a wealth of industry and market expertise and in her role as Head of Nordic Region will primarily focus on strengthening client relationships and supporting clearing operations in the region.

Roadmap for service expansion

In line with client requirements SIX x-clear is set to expand the number of regulated markets and MTF relationships to further drive opportunities in the clearing space. In July 2009, SIX x-clear commenced a series of new services for MTFs and regulated exchanges, which enable our members to access a single CCP with a pan-European clearing offering.

Due to the further fragmentation in the trading landscape expected with the introduction of additional venues, greater focus must also be applied at the clearing level where

netting efficiencies can be achieved. SIX x-clear allows members to benefit from increased netting opportunities, which reduce the number of collateral pools required to support additional markets.

With the addition of new trading venues to its client base SIX x-clear continues to increase its clearing capabilities. In autumn 2009 the clearing of bond trades will be launched for SIX Swiss Exchange, and further product expansion will be delivered this year with the introduction of cleared securities lending transactions traded on the SecFinex marketplace.

In addition to NYFIX International Ltd and Equiduct, SIX x-clear will shortly begin offering clearing services for BATS, Chi-X, Liquidnet, NASDAQ OMX Europe, QUOTE MTF and Turquoise. SIX x-clear continues to look forward to adding additional venues in 2010 with the inclusion of NASDAQ OMX and further opportunities lined up.

With an increasing footprint and expanding product base SIX x-clear is well positioned in its role as central clearer as it continues to deliver the efficiencies the market place demands.



Ann Flodström, Head of Nordic Region SIX x-clear

Clearing for LSE

Deutsche Bank, one of the largest traders of UK shares on the LSE, decided to use the interoperable clearing link between LCH.Clearnet and SIX x-clear to move its UK equities business to SIX x-clear.

The move is an early example of a trading firm looking to take advantage of the European Commission-backed code of conduct, which requires clearing houses to enable customers to move their orders from one provider to another, effectively introducing competition between clearers for the first time.