

FrontLine

Clearing Notice 02/2010

Revision of SIX x-clear MTF contractual framework

1.0 Overview

On 1 January 2010, the Federal Intermediated Securities Act (FISA) came into effect. This law introduces a legal basis for intermediated securities (securities held with an intermediary, e.g. banks, custodians, CSDs) and defines the rules of international private law by declaring the Hague Securities Convention applicable to certain rights in respect of securities held with an intermediary as part of Swiss law. Additionally, the new contracts will support the concept of a generic Default Fund for current and future Multilateral Trading Facilities (MTFs). As a consequence thereof, a revision of several SIX x-clear documents within the legal framework is taking place.

2.0 Effective date

8 March 2010

The updated General Terms and Conditions for Business (GTCB) as well as the Clearing Terms will be available as of 8 March 2010 on our website at www.ccp.sisclear.com > Clearing > MTFs.

3.0 Impact on participants

The new Law on Intermediated Securities gives a clear legal basis to the current setup of the securities industry. As a result, Switzerland no longer relies on legal opinions and legal teaching when asked to demonstrate the legal certainty of Swiss legislation regarding securities custody, but on a modern, well-drafted law. The new law defines intermediated securities as securities (in paper form, as global certificates or in the form of book-entry securities) which are credited to a security account held by a custodian (i.e. a regulated entity such as banks, CSDs etc.). The new law has been well received by the international community and serves as the standard model for similar legislative projects in other countries.

For all MTFs, a joint single Default Fund will be created. This leads to solidarity of risk taking between all SIX x-clear Members using the services of SIX x-clear on one or several MTFs. It facilitates the account keeping and the handling of the Default Funds for its Members because they have to deal with just one Default Fund.

The introduction of a MTF Default Fund will have the following operational impacts:

- The minimal contributions for Default Funds are not subject to modification.
- The up-front Default Fund contributions already in place for Liquidnet and Equiduct are not subject to modification.

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- The MTF Default Fund will be incrementally increased by extending clearing services to new Multilateral Trading Facilities (MTFs).

4.0 Details

The following Contracts, Pledge Agreements, General Terms and Conditions of Business (GTCB) as well Platform Specific GTCB were revised and will be sent for review directly to the Members:

Contracts:

- Contract for Clearing Service (GCM)
- Contract for Clearing Service (ICM)

Pledge Agreements:

- Pledge Agreement for Margins
- Pledge Agreement for the Default Funds

The current Pledgeholder Agreement will be integrated in the two Pledge Agreements mentioned above.

General Terms and Conditions of Business (GTCB):

- General Terms and Conditions of Business for Clearing of Trading Platform Transactions
- Late Settlement and Buy-In Guide – Addendum to the Clearing Terms

Platform specific GTCB:

- Trading Platform Specific General Terms and Conditions of Business for Clearing of Transactions (Liquidnet, Equiduct)
- Clearing Terms of SIX x-clear Ltd (Liquidnet, Equiduct)

If you have any comments on the adjustments, please inform us in writing no later than Tuesday, **9 February 2010**.

5.0 Contact

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