

REGULATORY FRAMEWORK FOR ISSUERS

Trading of SWX-listed securities on SWX Europe

Original version in English. Should differences arise in the interpretation of the content, the English-language version shall prevail.

Regulatory Framework for Issuers

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I. PURPOSE OF THIS MEMORANDUM

SWX Europe SWX Europe Limited is a Recognised Investment Exchange (“RIE”) in London, supervised by the Financial Services Authority (“FSA”) and also an EU Regulated Market. The SWX Swiss Exchange (the “SWX”) is the listing authority for Swiss securities and sets the rules for the constitution of the Swiss Market Index (“SMI”) and the “SLI Swiss Leader Index®” (“SLI”). SWX Europe offers trading in the constituents of the SMI® and SLI® as well as constituents of major pan-European blue chip indices, facilitating sector and basket trading. SWX Europe also provides a market for Exchange Traded Funds. 1

This Memorandum is intended as a means of describing for Issuers the *prerequisites* for their equity securities to be admitted to trading on SWX Europe, as well as the Issuers’ disclosure obligations related to maintaining the admission to trading of their equity securities on SWX Europe. It serves as a source of information for Issuers. 2

Issuers affected For the purposes of this Memorandum, “Issuers” are only those companies that: 3

1. are incorporated in Switzerland and *listed on the SWX*; or
2. a. are not incorporated in Switzerland but have the SWX as the *primary listing* for their equity securities and
 - b. have equity securities admitted to trading on the SWX Europe platform (currently only the constituents of the SMI® and SLI® and some former SMI® securities).

II. LISTING ON THE SWX AND ADMISSION TO TRADING ON SWX EUROPE

Legal foundation Pursuant to Art. 8 para. 4 of the Swiss Federal Act on Stock Exchanges and Securities Trading (“SESTA”), the exchange 4

grants admission to listing to the securities of an Issuer if the provisions of the listing rules are fulfilled. The listing rules have to take international standards into account.

The **SWX Listing Rules ("LR")** regulate the individual requirements and listing procedure, and set out the obligations of Issuers both prior to and after the listing. 5

Certain Swiss listed securities are traded on SWX Europe. The rules for admission to trading on virt-x are UK rules, which nowadays involve to a large extent national adoption of EU provisions. 6

Responsible body

The sole body responsible for listing on the SWX is the **SWX Admission Board**. The Admission Board is an independent statutory body of the SWX. In addition to its listing-related activities it also has responsibility for establishing and enforcing the relevant regulations within the framework of SESTA. 7

The SWX – and consequently also the Admission Board – are subject to the supervision of the Swiss Federal Banking Commission ("**SFBC**") in the sense that all SWX Listing Rules and Additional Rules are submitted to the SFBC for approval. 8

Segmentation

Within the framework of the listing procedure, the Admission Board is empowered to determine the allocation of securities to specific exchange segments. Furthermore, it may establish criteria according to which certain categories of security are to be admitted to trading on automated securities exchange systems (trading platforms) that are not operated by the SWX itself but by third parties in Switzerland or abroad (Art. 2 LR). 9

III. REGULATORY FRAMEWORK

Relevant EU Directives¹

A number of new EU Directives are of relevance to admission to trading, principally the following: 10

1. Directive 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (**the "Prospectus Directive" or "PD"**);

1) References to EU Directives in this Memorandum are to be taken as referring also to the relevant implementing measures in the relevant Member State (in particular, with respect to SWX Europe, the UK).

2. Directive 2003/6/EC on insider dealing and market manipulation (market abuse) (**the “Market Abuse Directive” or “MAD”**);
3. Directive 2004/109/EC on harmonisation of transparency requirements with regard to information about issuers whose securities are admitted to trading on an EU Regulated Market and amending Directive 2001/34/EC (**the “Transparency Directive” or “TD”**);
4. Directive 2004/39/EC on markets in financial instruments (**the “MiFID”**).

A brief overview of these Directives and two others of potential interest is contained in the Annex to this Memorandum.

EU home Member State and Competent Authority²

Under the Prospectus Directive, every non-EU issuer has an EU **home Member State** (and accordingly an EU **Competent Authority** for certain market regulatory purposes) if its shares are admitted to trading on any EU Regulated Market.

Those Issuers,

1. whose shares are admitted to trading on the EU Regulated Market Segment of SWX Europe;
2. whose securities are not already admitted to trading on any other regulated market in the EU; and
3. who have not actively chosen any Competent Authority by 31 December 2005

take note that the UK will be their home Member State henceforth.

The UK as the domicile of SWX Europe and as the trading place for the SMI® and SLI® securities is the preferable home Member State and the FSA the preferable Competent Authority.

If, prior to electing to have the UK as its home Member State, an SMI® or SLI® Issuer or other Swiss company admitted to trading on SWX Europe were to take any action that amounted to an intention to offer to the public or to an application for listing or for admission to trading within a Member State other than the UK, then this latter Member State would irrevocably become the home Member State for that Issuer.

²) References to Member States of the EU also refer to the three EEA States, that is Iceland, Liechtenstein and Norway.

	Swiss listed companies which are listed in the UK (by the UK Listing Authority) or in another Member State should seek their own professional advice.	16
<i>SWX Europe provisions</i>	SWX Europe admits to trading securities which have been admitted to listing by a Competent Authority for Listing. The SWX Admission Board is such an Authority. SWX Europe's criteria for admitting a security to trading are set out in the Rules under "Legal basis for all transactions on SWX Europe" (see the following link: http://www.virt-x.com/download/regulation/rules/virt-x_rules.pdf) and must be fulfilled before SWX Europe will admit a security to trading.	17

IV. SWX LISTING AND SWX EUROPE MARKET SEGMENTS

SWX Europe offers two different Market segments: an **EU Regulated Market Segment** and a **UK Exchange Regulated Market Segment**. 18

With respect to trading, both of SWX Europe's market segments have the same trading and member compliance requirements, and both are subject to FSA jurisdiction. The difference between the segments lies in the EU obligations applicable to the Issuers. 19

The EU Regulated Market Segment of SWX Europe is the appropriate segment for those Issuers who are able to comply with the EU requirements. The UK Exchange Regulated Market Segment of SWX Europe is not within the scope of the Directives as far as Issuers are concerned. This market segment is regulated by SWX Europe and that regulation is, in turn, supervised by the FSA. 20

Issuers with securities admitted to trading in the UK Exchange Regulated Market Segment continue to be regulated by the Swiss authorities by virtue of their SWX listing, including rules on prospectuses, on continuing transparency obligations and on disclosure of shareholdings and transactions. The UK Exchange Regulated Market Segment is made available to those Issuers who do not comply fully with the requirements of the PD and/or the MAD and/or Transparency Directive, and is therefore not an "EU Regulated Market". 21

Underlying the division of SWX Europe into two trading segments is a similar division in relation to listing itself. The Admission Board has created an SWX "EU-Compatible" Segment, and the SWX has published additional rules appli- 22

cable to Issuers whose securities are listed on this Segment. Under the Additional Rules for listing in the “EU-Compatible” Segment of the SWX (“AR EU”), the LR are applied with modifications designed to secure that the securities listed on that segment can comply with the obligations derived from the EU Directives mentioned above and required of them by virtue of being admitted to trading on the EU Regulated Market Segment of SWX Europe. Under the AR EU, the Directives and Circulars of the Admission Board are also applicable. The SWX monitors Issuers’ compliance with the aforementioned as well as with SESTA which continues to apply as well as the AR EU.

Securities included in the SMI® on 1 July 2005 (as well as some securities included in the SMI® before that date) were allocated to the SWX “EU-Compatible” listing segment (and accordingly were admitted to trading on the EU Regulated Market Segment of SWX Europe) unless the Issuer opted to be allocated to another listing segment (and thus to have its shares admitted to trading on the UK Exchange Regulated Market Segment of SWX Europe). 23

However, in the case of securities included in the SMI® or the SLI® on or after 1 July 2005, the position is reversed: the initial allocation is to another listing segment (and thus to the UK Exchange Regulated Market Segment of SWX Europe) but the Issuer can apply to be allocated to the SWX “EU-Compatible” Segment (and thus to the EU Regulated Market Segment of SWX Europe): in that event a new prospectus satisfying the AR EU (and formally approved by the FSA) is required. 24

V. OBLIGATIONS OF THE ISSUER (AND OTHER RELEVANT PERSONS)

*SWX-listed securities
admitted to trading on
the EU Regulated Market
Segment as at 1 July 2005*

We assume that as of 1 July 2005 no Issuer admitted to trading on the EU Regulated Market Segment explicitly has requested or approved that admission. After 1 July 2005, if an Issuer actively takes steps that amount to requesting or approving admission, the additional set of obligations referred to below apply. A decisive step is the issuance of a prospectus. Issuers not effecting an increase of 10% or more of the number of shares of the same class already admitted to trading can use to the full the exemptions provided for by the PD. These Issuers are not deemed merely by issuing the securities to have requested or approved the 25

admission of their securities to trading on the EU Regulated Market Segment and are subject to the specific obligations under Art. 6 MAD.

The publication of a prospectus is required according to the AR EU if an increase of more than 10% of the number of shares of the same class already admitted to trading is effected by an Issuer to which the AR EU apply. The prospectus must be approved by the SWX and the FSA. 26

The publication of a prospectus is considered as requesting the admission to trading on the EU Regulated Market Segment of SWX Europe. Where Issuers have requested or approved admission to trading on an EU Regulated Market, an additional set of obligations, stemming from the MAD will be triggered. These specific Issuer-related provisions of Art. 6 MAD are the following: 27

1. to inform the public of inside information, which is ad hoc publicity (Arts. 6(1), 6(2) and 6(3) subpara. 1 MAD);
2. to draw up (and transmit on request to the relevant Competent Authority) a list of its insiders (Art. 6(3) subpara. 3 MAD);
3. to report and publish transactions by relevant persons conducted on their own account relating to securities of the Issuer and linked financial instruments (Art. 6(4) MAD).

Where those obligations apply, the relevant persons (i.e. the Issuer, persons discharging managerial responsibilities and persons closely associated to them) must disclose the required information in accordance with the applicable national rules of the relevant Member State(s). In the case of most of these obligations, the information must be made public as well. In the UK, information that falls to be disclosed under the provisions by issuers, persons discharging managerial responsibilities and persons closely associated with them must be published through a Regulatory Information Service ("**RIS**"). 28

"EU Passport"

Issuers of shares admitted to trading on the EU Regulated Market Segment of SWX Europe are able to request from the FSA a certificate after the approval of a prospectus by the FSA. This certificate enables the Issuer to "passport" the respective prospectus and so to request the admission to trading on any other EU Regulated Market outside the UK using the simplified procedure provided by the PD (notably 29

	Chapters IV and V). The respective EU Member State may require a summary of the prospectus in a language accepted by the national law implementing the PD.	
	Issuers with an EU Competent Authority other than the FSA have to submit their prospectuses to the respective Competent Authority and simultaneously to the SWX for approval. The admission to trading on SWX Europe for the relevant shares is granted on the basis of:	30
	<ol style="list-style-type: none">1. the certificate for the prospectus approval by the responsible EU Competent Authority of the Issuer; and2. the prospectus approval of the SWX.	
<i>UK market regulations</i>	Swiss Issuers whose equity securities are admitted to trading on an EU Regulated Market may find that they are subjected to market regulation in that jurisdiction in relation to some of their activities. This subject was covered in some detail in an essay in 2001 (Nobel/Blair/Schönholzer, virt-x: a real European Stock Exchange, in: Swiss Review of Business Law, 5/2001, p. 217 et seqq.). The main elements of that analysis still stand, though there have been some recent developments, such as new defences in the UK to criminal or regulatory proceedings relating to share buy backs or stabilisation, following the application in the UK of an EC Commission Regulation and the consequential overhaul of the FSA rules on Market Abuse and Stabilisation.	31
<i>SMI® or SLI® securities admitted to trading on the UK Exchange Regulated Market Segment as of 1 July 2005</i>	Securities newly included into the SMI® or SLI® will, as of the date of inclusion in the SMI® or SLI®, be automatically transferred for trading on SWX Europe. They will be admitted to trading in the UK Exchange Regulated Market Segment of SWX Europe unless they apply to be admitted to the EU Regulated Market Segment. Since 1 July 2005, no admission to that segment is permitted unless the Issuer has produced a prospectus in conformity with the AR EU and the prospectus has been formally approved by the FSA. This prospectus again triggers the Issuer-related provisions of Art. 6 MAD (ref. no. 27).	32
	If an Issuer does not intend to comply with the AR EU, it can apply for its shares to be transferred to another listing segment, giving 30 days' notice. At the end of that period, its shares will be offered for trading on SWX Europe's UK Exchange Regulated Market Segment.	33

	If SWX-listed securities are admitted to trading on the UK Exchange Regulated Market Segment, the Issuer has to comply with the obligations provided for in the LR.	34
<i>Change of segment</i>	On the UK Exchange Regulated Market Segment, the provisions of the PD do not generally apply except in the case of a public offer in the EU under certain conditions. The admission to trading on this segment is not considered a public offer.	35
	Issuers of shares admitted to trading on the UK Exchange Regulated Market Segment of SWX Europe can request the admission to trading on the EU Regulated Market Segment of SWX Europe. A prerequisite for the transfer of the shares is the approval of a prospectus published according to the AR EU (ref. no. 24).	36

VI. REPORTING REQUIREMENTS AND EXCHANGE OPERATIONS

<i>Equivalence under the Transparency Directive</i>	In relation to the disclosure of periodic and ongoing information, Issuers may be exempted from certain requirements of the national law of the EU Member State which is the home Member State for the purpose of the TD if they comply with the requirements that are declared equivalent by the relevant EU competent authority in accordance with Art. 23 TD. The FSA's new Disclosure and Transparency Rules (DTR), created by the FSA's Transparency Obligations Directive (Disclosure and Transparency Rules) Instrument 2006, contain provisions disapplying explicitly certain disclosure rules for issuers whose registered offices are in a non-EEA state whose relevant laws are considered by the FSA to be equivalent for this purpose. Certain Swiss laws and rules applicable to issuers are considered by the FSA as equivalent to DTR 4 ("periodic financial reporting rules"), DTR 5 ("vote holder and issuer notification rules") and DTR 6 ("continuing obligations and access to information") as published by the FSA on its Website at http://www.fsa.gov.uk/Pages/Doing/UKLA/company/non_eea/index.shtml . Therefore the Issuers that have the UK as their home Member State are exempted from the UK requirements listed on the web-page indicated above but must comply with the Swiss requirements considered as equivalent by the FSA.	37
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<i>Rules for maintaining listing on the SWX "EU-Compatible" Segment</i>	The Issuers whose equity securities are listed on the SWX "EU-Compatible" Segment and admitted to trading on the EU Regulated Market Segment of virt-x (now SWX Europe) on 20 January 2007 or thereafter are subject to the revised rules of the AR EU and the SWX Directive on Requirements for Maintaining Listing on the SWX "EU-Compatible" Segment (" DMEU ").	38
<i>Periodic reporting obligations</i>	These Issuers must generally comply with the financial reporting requirements as set forth in the SWX Directive on Requirements for Financial Reporting ("DFR"). In this respect they have to apply either IASB-IFRS or US GAAP and publish annual and half-yearly financial information. In addition issuers have to publish interim management statements if they do not publish quarterly financial reports. These obligations are applicable to the first full financial reporting period starting on or after 20 January 2007. The details regarding the contents of such reports and/or management statements are laid down in the DMEU.	39
<i>Disclosure of price-sensitive information ("ad hoc publicity")</i>	The obligations of Issuers in connection with the disclosure of price-sensitive information (Art. 72 LR) remain unchanged. This is so irrespective of whether a prospectus in accordance with the AR EU (EU-compatible prospectus) has been published or not. The SWX continues to be responsible for the surveillance and enforcement of these requirements. The Competent Authority in the relevant EU Member State(s) will ultimately be responsible for the surveillance and enforcement of the respective requirements.	40
	Issuers are encouraged to use the UK RIS also as a channel of distribution, even in cases where there is no specific UK requirement to do so. Once an EU-compatible prospectus has been published, the disclosure of price-sensitive information must be reported also to the UK RIS. Issuers may also be subject to other relevant reporting requirements in the UK or in other EU Member States.	41
	Under the AR EU and the DMEU, any information required to be supplied to a competent authority or to a source of public information in a Member State of the EU in relation to any of the Art. 6 MAD obligations mentioned above has to be copied to the SWX at the same time as it is sent to that authority or source.	42

<i>Director's Dealings</i>	For Issuers deemed to have requested or approved the admission of their securities to trading on any EU regulated market – which is in any event the case as soon as an EU-compatible prospectus is published –, the UK rules implementing Art. 6(4) MAD are made to be applicable in Switzerland as well as in the UK, according to Art. 25 AR EU. In such a case the obligations of Art. 74a LR are not applicable and the UK rules must be fully complied with.	43
<i>Annual information update</i>	Issuers of equity securities listed on the SWX "EU-Compatible" Segment and admitted to trading on the EU Regulated Market Segment of SWX Europe have to file an annual information update with the SWX, as well as with an officially appointed mechanism in the UK if their home Member State is the UK (Art. 29 AR EU). Issuers with a home Member State other than the UK have to file the annual information update according to the rules of the respective EU Member State, in addition to the filing with the SWX. The annual information update must include all information that the Issuer has published over the preceding 12 months in compliance with its obligations under applicable laws and regulations. Furthermore, certain information has to be provided to the SWX regarding requests for admission to trading on EU Regulated Markets outside the UK (Art. 30 AR EU).	44
<i>General reporting and technical notifications</i>	Reports of Issuers in connection with exchange operations, such as information pertaining to the annual general meeting calendar, capital structure and dividend distributions, continue to be directed to the SWX. Admission Board Circular No. 1, which addresses "Reporting obligations regarding the maintenance of listing", remains applicable to all issuers listed on the SWX. Further to the requirements in the Admission Board Circular No. 1, Issuers must make public all changes in the rights attaching to the equity securities including changes in the rights attaching to publicly placed derivative securities issued by the issuer itself. Furthermore an Issuer must make public any new public placements of notes and bonds or any guarantee or security in respect thereof. All information prepared under the DMEU and Arts. 26, 27 and 29 AR EU must be made available to an officially appointed mechanism in accordance with the national law of the relevant EU Member State(s) transposing Arts. 21 and 22 TD. For Issuers that have the UK as their home Member State, the FSA's DTR 6.2 ("filing information and language") and DTR 6.3 ("dissemination of information") are applicable.	45

<i>Suspensions</i>	The SWX is responsible for imposing suspensions of trading on grounds that are related to Issuers, for example in the case of price-sensitive events. A suspension or cancellation of listing by the SWX will immediately lead to cessation of trading on SWX Europe. These powers exist alongside powers of SWX Europe and the FSA to suspend trading on SWX Europe.	46
<i>Further dissemination of information</i>	The SWX and SWX Europe have entered into a Memorandum of Understanding on sharing of information which is required to maintain orderly exchange operations.	47

VII. SANCTIONS

In respect of the ongoing issuer-related obligations under the PD and the MAD arrangements are in place to enable the SWX and the FSA to determine where the lead responsibility for sanctioning breaches of any of the regulatory requirements discussed above should rest. The SWX and the FSA have agreed that, wherever possible, the decision as to who should take the lead responsibility for exercising jurisdiction should be arrived at in conjunction between them.	48
In view of the FSA decision on the equivalence of the Swiss rules in relation to Art. 23 TD (as described at ref. no. 37) above, the applicable Swiss rules are the only ones which apply with regard to the enforcement of the SWX issuers' obligations, and whether an Issuer is in breach of any such obligation is tested in relation to the Swiss requirements exclusively by Swiss authorities. With regard to DTR 6.2 ("filing information and language") as well as to DTR 6.3 ("dissemination of information") for which the equivalence could not be granted by the FSA in application of Art. 23 TD, the SWX and the FSA agreed that the same arrangements as described in ref. no 48 is applicable for sanctioning breaches and exercising jurisdiction of these specific DTR rules.	49

VIII. DISCLOSURE OF MATERIAL SHAREHOLDINGS

<i>Disclosure obligations</i>	SESTA regulations on the disclosure of shareholdings are applicable to Issuers incorporated in Switzerland, the equity securities of which are at least in part listed in Switzerland (Art. 20 para. 1 SESTA). The Swiss disclosure obligations continue to be applicable to SMI® and SLI® Issuers	50
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incorporated in Switzerland when their securities are admitted to trading on SWX Europe. Further to the publication as provided for in Art. 28 AR EU (i.e. disclosure in the same way as the disclosure of potentially price-sensitive facts according to Art. 72 LR), the Issuers have to make a notification in the manner required by the national law of the relevant EU member State(s) transposing Arts. 9,12 and 19 TD.

Furthermore, an issuer conducting transactions in its own securities and thereby attaining, falling below or exceeding a given threshold, must disclose such transactions and the details of the transactions within four trading days (Art. 28 AR EU). 51

IX. TAKEOVER PROVISIONS

Swiss takeover regulations The rules of Swiss securities legislation pertaining to public takeover offers are applicable for Swiss Issuers as targets, the equity securities of which are listed in Switzerland (Art. 22 para. 1 SESTA). 52

SWX-listed securities of Swiss Issuers are subject to the SESTA regulations pertaining to public takeover offers, even if such securities are admitted to trading on the EU Regulated Market of SWX Europe. The EU Takeover Directive will not be applicable to Swiss Issuers as targets. 53

X. INSIDER TRADING AND PRICE MANIPULATION

Insider trading and price manipulation norms Trading of securities of Swiss Issuers on SWX Europe is subject to UK rules in relation to insider trading problems, price manipulation and market abuse. Swiss insider and price-manipulation rules can also apply to transactions on SWX Europe if Swiss securities and Swiss participants are affected. Specific competence with respect to the international applicability of such of these obligations as are criminal in nature lies with the prosecution authorities and the courts. In this regard, and in relation to matters where the competence is regulatory in nature the aim is to ensure the highest possible standard of market integrity (see on this aspect Nobel/Blair/Schönholzer, virt-x: a real European Stock Exchange, in: Swiss Review of Business Law, 5/2001, p. 217 et seq.). 54

As in other developed capital markets, UK law recognises rules aimed at preserving the integrity of the marketplace, in particular those pertaining to insider trading and price manipulation. These norms are primarily applicable to investors and traders and relate only indirectly to issuers. 55

Zurich, 3 March 2008

ANNEX

Overview of Relevant EU Directives

Prospectus Directive

The applicability of the Prospectus Directive is triggered by the admission to trading on an EU Regulated Market of the Issuer's securities and/or by the offering of its securities to the public in an EU Member State under certain conditions. Since 1 July 2005, an issuer

- whose shares are admitted to trading on the EU Regulated Market Segment of SWX Europe Limited and who wishes to raise new capital (the difference from the current arrangements is that the Directive imposes new obligations), and/or
- who wishes to be admitted to trading on the EU Regulated Market Segment of SWX Europe, and/or
- who offers its securities to the public (under conditions as specified by the PD) regardless of where its securities are listed or admitted to trading,

has to issue a new prospectus in conformity with the Prospectus Directive and needs to have it approved by an EU Competent Authority. However, the Prospectus Directive allows the Competent Authorities of the Member States to recognise prospectuses of third country Issuers under certain conditions. In the case of the SMI® and SLI®, the Competent Authority is usually the FSA. The SWX envisages making use of the recognition possibilities with respect to Swiss Issuers whose securities are admitted to trading on SWX Europe.

Issuers of securities which were already admitted to trading on an EU Regulated Market before the implementation of the Prospectus Directive on 1 July 2005 do not need to issue a prospectus unless and until they raise new capital of 10% or more.

As a consequence of the new standards in the Prospectus Directive, SWX's Listing Rules have been adapted in respect of Issuers with securities admitted to trading on the EU Regulated Market Segment.

Market Abuse Directive

This Directive contains provisions regarding insider dealing and market manipulation, as well as Issuer-related obligations such as disclosure of inside information, maintenance of insider lists by Issuers and disclosure of transactions by directors and senior managers, as well as persons closely associated with them (management transactions).

There are exclusions for Issuers which have not requested or approved the admission of their securities to trading; those exclusions relate to disclosure of inside information, maintenance of insider lists by Issuers, and disclosure of management transactions. Where an SMI® or SLI® Issuer has not requested or approved the admission of securities

to trading on an EU Regulated Market, those exclusions will apply unless and until the Issuer requests or approves admission by, for example preparing a prospectus in conformity with the PD. However, if a prospectus must be published, this triggers also the publication of Art. 6(1) to 6(4) MAD. The obligations in Art. 6 MAD then apply as of the date of the admission based on the prospectus.

Once the MAD obligations become applicable in relation to any Issuer, they will remain applicable indefinitely thereafter whilst the securities remain admitted to trading on an EU Regulated Market.

The MAD provisions do not apply to the UK Exchange Regulated Market Segment of virt-x, but the UK market abuse regime is applicable; in this respect there is no change to the situation established with the launch of virt-x in 2001. In summary, the UK implementation of the Directive's provisions

- takes a more general approach than the MAD;
- maintains a wider range of behaviour than the MAD, subject to a review before May 2008 to establish whether the expected benefits have exceeded the costs; and
- includes all prescribed markets in the UK (not just EU Regulated Markets).

Transparency Directive

The Transparency Directive, which had to be implemented by 20 January 2007 by the EU Member States, sets out disclosure and transparency obligations for Issuers whose securities are admitted to trading on an EU Regulated Market. The Directive requires IFRS accounting, periodic information (annual and half-yearly financial reports, interim management statements) and ongoing information about major holdings. The Directive further demands responsibility statements of the Issuer's directors and compliance with filing and disclosure requirements.

The Transparency Directive allows the Competent Authorities (the FSA in the UK) to release an Issuer from disclosure and transparency obligations of the relevant third country if the Issuer is subject to equivalent obligations under the law of its own home state.

MiFID (Markets in Financial Instruments Directive)

This Directive has to be implemented by 1 November 2007 by the EU Member States. It will harmonise authorisation and operating requirements for investment firms as well as set conditions governing the operation of EU Regulated Markets.

It will impact on SWX Europe and its trading participants (i.e. members) in a number of ways, but these are not related to the obligations of the SMI® and SLI® Issuers and so are not covered here. Details can be provided on request.

Takeover Directive

This Directive sets out measures to co-ordinate laws and regulatory provisions relating to takeover bids for the securities of companies governed by the laws of EU member states, where all or some of the securities are admitted to trading on an EU Regulated Market. The Directive is not applicable to Issuers incorporated in Switzerland whether their securities are admitted to trading on SWX Europe or not.

Proposal amending the 4 and 7 Directive regarding the corporate governance

The Commission of the European Communities is proposing a new directive amending the Council Directives 78/660/EEC and 83/349/EEC (COM(2004) 725 final). This directive is expected to provide that listed companies should include in their annual report a coherent and descriptive statement covering the key elements of their corporate governance structure and practices. Such a corporate governance statement must be disclosed by companies which have their securities admitted to trading on an EU Regulated Market and which have their registered seat in the EU. This Directive will therefore not be applicable to Swiss Issuers.

