

Explanations and Q&A with regard to SWX Message No. 67/2008 and FBC Notice dated 19 September 2008

SIX Swiss Exchange AG
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In Switzerland, short sales are generally not forbidden. However, in response to the current market environment, the Federal Banking Commission (FBC; today's FINMA) and the SWX Swiss Exchange (today's SIX Swiss Exchange) have indicated in their notices dated 19 September 2008 that certain short sales are prohibited.

The following Q&A applies to trading on SIX Swiss Exchange and will be continually updated.

1. Does the prohibition apply to all short sales?

No. In terms of the securities traded on SIX Swiss Exchange in Zurich, the prohibition applies only to so-called "naked short sales".

2. Does the prohibition also apply to short sales that are backed by the lending of a security?

No. The prohibition applies only to transactions that are not covered by a corresponding hypothecation of securities. Hence only naked short sales (uncovered transactions) are meant in this regard.

3. When must the securities lending transaction be concluded?

The seller must be in the position to deliver the securities on the settlement date. This can be sufficiently ensured when the securities lending transaction for the securities that must be delivered is concluded together with the given short sale (for intraday short sales, see Point 4).

4. Does the prohibition also apply to intraday short sales?

No. However, the seller must cover the short at latest by the end of the trading day on which the opening transaction was executed.

5. Does the prohibition also apply to trading in derivatives?

Trading in derivative products is not, in principle, subject to the prohibition. If shares are sold short in connection with transactions in derivatives or other financial products, the aforementioned principles (Points 1 through 4) must be observed. In addition, the trades must be compatible with the requirements of the FINMA Circular on Supervisory Rules on Market Behaviour.

6. To what extent are market makers affected by the prohibition?

Within the scope of their activities, market makers are not affected by the prohibition as long as they are obligated to post firm bids and asks or they are market makers at Scoach or Eurex. The seller must be in the position to deliver the securities on the settlement date.

7. Is the hedging of a short put by means of an uncovered short sale permissible?

Hedging a short put through the use of a naked short is not permissible. Exempted in this regard are intraday hedging activities as per Point 4.

8. Do different rules apply with regard to short sales of Swiss blue chips as well as small- and mid-cap stocks?

No. Since the return of Swiss blue chip trading to Zurich from London, the same rules apply to the Swiss blue chips as well as to small- and mid-cap stocks.

9. How do these provisions apply to trading in derivatives where the underlying security is a stock traded on SIX Swiss Exchange?

The same provisions as in Point 5 apply.

10. Can I buy a put option on a stock that is traded on SIX Swiss Exchange?

Yes.
