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# SIX Swiss Exchange message

## no. 20/2010

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Subject: **Revision of SIX Swiss Exchange participant regulation – entry into force of new Rule Book**

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Dear Sir or Madam

On 1 April 2010, SIX Swiss Exchange will introduce a new, concise set of regulations for participants.

This Message is intended as a means of informing you about the most important new developments in this regard as well as the corresponding transitional provisions.

SIX Swiss Exchange subjected the entire body of participant-related rules and regulations to a total revision. The need to adapt the rules arose on one hand from the return of blue chip trading from London to Zurich and, on the other, that opportunity has been used to bring the rules in line with international standards, restructure them and completely revamp the terminology.

The new Rule Book governs the admission of securities dealers, the organization of trading, the procedures for clearing and settlement, the sanction process, as well as the rights and obligations of participants and their traders, and also replaces the currently applicable “**General Conditions**” and the “**Transitional Rule Book for Blue Chip Trading**” including the corresponding Directives.

The new **Rule Book** is more concise, comprehensible and clearly structured, thus it has gained in coherency and user-friendliness. It is broken down into the following sections:

- I. The **Admission** portion regulates the admission of participants to trading on the Exchange, the rights, obligations and exclusion of participants, as well as the suspension and termination of participation.
- II. The **Trading** section governs the organization of Exchange trading, including the way in which trades are executed.
- III. The **Clearing and Settlement** portion regulates the post-trade processing of Exchange transactions.
- IV. The **Monitoring and Enforcement** section specifies the procedures for monitoring and enforcing compliance with the trading rules, as well as for sanctions in the event of violations.
- V. The **Concluding Provisions** govern the confidentiality, partial voiding and alterability of the Rule Book, its binding nature, the applicable law and jurisdiction, as well as transitional legislation.

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The implementing provisions of the Rule Book are laid out in topic-specific Directives and constitute an integral part of the rules as a whole:

1. Admission of participants
2. Connectivity
3. Trading
4. Market control
5. Swiss Block
6. Market information
7. Fees and costs

The focus of this total revision of the participant-related regulations was placed on the formal restructuring of the applicable rules. A small number of material changes were also incorporated into the revision, in particular a significant remake of the Admission section.

The following provides an overview of the most important material changes:

### **Admission and maintained admission of participants**

#### *Equity capital and collateral deposit*

To date, securities dealers had to have equity capital of at least CHF 10 million and post a security bond of CHF 500,000 in order to become a SIX Swiss Exchange participant. Going forward, Exchange participation will essentially be based on the participant's having been granted a securities dealer license issued by FINMA or FINMA's approval as a foreign securities exchange member (*remote* member). The additional capital requirements will no longer be applicable and it will not be necessary in each case to post a collateral deposit as a means of covering any outstanding monies payable to the Exchange.

#### *Trader registration*

The participant and its traders bear responsibility for their trading activities on the Exchange, thus all parties involved in trading must be registered with SIX Swiss Exchange. The Exchange will register all traders who have a good reputation, possess sufficient professional knowledge, and recognize the rules and regulations of the Exchange. The proof of sufficient professional knowledge will still be evidenced by the successful completion of a trader examination, whereby the examination concept has been fundamentally revised and aligned with the needs of the specific candidate (→ see also the enclosure "SIX Swiss Exchange trader examination"). The registration of technical systems has been waived.

#### *Direct Electronic Access*

In a new development, the Rule Book explicitly stipulates that participants can grant their customers direct access to the Exchange System ("DEA customers"). However, the given participant remains responsible vis-à-vis the Exchange for all acts and omissions of its DEA customers.

#### *Reporting obligation*

For all transactions in securities that have been admitted to trading on the Exchange, participants are obligated to report those trades to a reporting office officially recognized by the Exchange. This can be accomplished via the Exchange of the Reporting Office (see details below regarding the *reporting obligation*). Foreign participants may also report trades to an Exchange-recognized Trade Data Monitor ("TDM").

## Trading

### *Trades conducted on Exchange and off Exchange*

The Exchange now makes a differentiation between on-Exchange and off-Exchange trades. In the case of the former, there is now a difference made between “**on-exchange, on-order-book trades**” and “**on-exchange, off-order-book trades**”. Thus in future, participants will have the opportunity to keep trades under the protection of the Exchange (including buy-ins and clearing and settlement) even if they have been executed on an off order book basis. “on-exchange, off-order-book trades” must be reported to the Exchange in keeping with the corresponding provisions of the Rule Book.

### *Reporting and publication of trades*

The European MiFID standard has been adopted for the reporting and publication of trades in equities and investment funds. Reports are to be submitted to the Exchange immediately, however no later than three minutes after the trade has been executed. The Exchange will delay publication of the trade if the prerequisites for such postponement are fulfilled.

For other products such as ETFs and bonds, the previously valid reporting and publication deadlines will remain valid.

## Clearing and settlement

### *Incisive default rules (buy-ins)*

For trades executed without the inclusion of a central counterparty, the Rule Book now provides for incisive steps to be taken in the event of a failure to deliver, this in the form of buy-in rules and a penalty if the related buy-in is not possible. In essence, the provisions applicable to trades that do include SIX x-clear Ltd. as central counterparty have been adopted in this regard.

## Fulfillment of the legal reporting requirement by (Swiss) securities dealers

Under Art. 6 SESTO-FINMA, SIX Swiss Exchange is deemed the official reporting office for all transactions in securities that have been admitted to trading on a Swiss securities exchange. In this function, SIX Swiss Exchange enacts rules that regulate the fulfillment of liable Swiss securities dealers' reporting requirements (“Rules of the Reporting Office for the Fulfillment of the Legal Reporting Requirements by Securities Dealers”). After consultation with various securities dealers, this regulation will presumably enter into force in mid-2010.

Securities dealers that are liable for reporting in Switzerland must report trades as well as any forwarding of trades to the Reporting Office. On-Exchange transactions are deemed to have been reported.

The reporting deadlines have been adapted to correspond largely with international standards.

The new Rule Book and related Directives will enter into force on 1 April 2010.

### Further information

SIX Swiss Exchange has established a dedicated website for the new Rule Book, where the related documents and additional information can be found:

[http://www.six-swiss-exchange.com/participants/regulation/news\\_en.html](http://www.six-swiss-exchange.com/participants/regulation/news_en.html)

Should you have any further questions in this regard, please feel free to contact your Account Manager:

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Kind regards,

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