

Securities Trading

The Securities Trading business field offers a comprehensive portfolio of solutions revolving around Swiss and cross-border securities trading. This includes the cash and derivatives markets, distribution of information products, index calculations and the development and operation of electronic trading platforms. The companies SIX Swiss Exchange, SWX Europe and SIX Exfeed are responsible for the core business, which is organizationally integrated in the Cash Markets division.

The standardized derivatives, warrants, structured products and European indices segments are covered by the joint venture companies Eurex (separate report on page 16), Scoach and STOXX, in all of which SIX Group has a stake.

As companies with a stock exchange license, SIX Swiss Exchange, Scoach Switzerland and Eurex Zurich perform the tasks assigned to them by the Swiss legislator as self-regulating entities. At the beginning of 2009, regulation and supervisory functions were transferred to a separate unit, SIX Exchange Regulation (see page 40). This unit offers issuers an efficient listing process on an internationally recognized exchange and guarantees them access to investors the world over.

Key figures of the Securities Trading business field

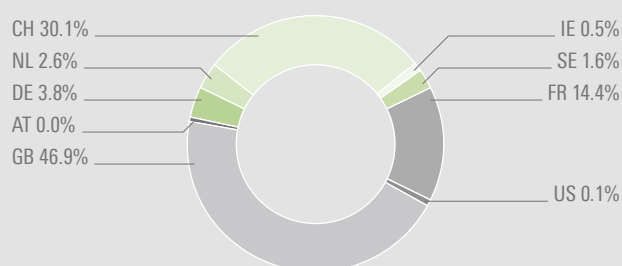
Cash Markets division	2008	2007
Turnover revenue ¹ (in CHF 1,000)	319,078	331,071
Workforce in full-time equivalents ²	388.4	424.0
Turnover revenue ¹ per employee (in CHF 1,000)	822	781
Stock exchange trading turnover ³ (in CHF bn)	1,933.6	2,527.7
Number of transactions ³ (in m)	45.2	35.3
Number of listed securities	23,818	20,966
SPI market capitalization (in CHF m)	774,227	1,186,837

¹ Turnover revenue according to the internal management information system

² Workforce = Average number of full-time equivalents between 01.01. and 31.12.

³ Including Scoach Switzerland Ltd

Turnover in blue-chip trading by participant location in 2008



- *Orderly, transparent and monitored trading at all times.*
- *Functionally and technologically competitive services.*

Smooth flow of trading

The trade flow on the exchanges of the Securities Trading business field remained smooth despite the turbulent financial markets. Investors were able to participate in orderly, transparent and monitored trading at all times. The exchanges thus provided secure trading functions and investor protection during a critical period. In so doing, they made an important contribution to systemic stability. Due to the extraordinary market conditions, regulatory bodies and exchanges around the world imposed temporary restrictions on securities trading in view of short selling in the second semester.

Despite livelier competition in 2008 due to new independent trading platforms, the Securities Trading business field was able to defend its pole position in Swiss securities trading.

Customer focus

The Cash Markets division intends to be the dominant reference market for trading in Swiss securities also in the future. Various strategic initiatives contribute to the high market share and corresponding liquidity on the trading platforms, offering the client functionally and technologically competitive services at attractive rates. The position as trading center of first choice for Swiss issuers is secured, not least due to the long-term guarantee of Swiss regulatory sovereignty with regard to listing and exchange trading.

In 2008, SIX Swiss Exchange resolved to concentrate equities trading in Zurich as part of its strategy implementation. Accordingly, trading in Swiss blue chips will be transferred from London to Zurich. SMI®/SLI® trading will thus be subject solely to Swiss regulation and supervision as of May 2009. This will enhance the regulatory framework for issuers by removing the need to cumulatively meet requirements set by two different countries. The concentration of equities trading will generate efficiency gains in stock market operations and simplify administrative and technical issues for trading parties. Presence in London will be maintained through a representative office.

Good business result thanks to strong core business

The turnover revenues of the Cash Markets division amounted to CHF 319.1 m in the year under review. This represents a decline of CHF 12 m or 3.6% year on year. A record total of 45,185,748 stock exchange transactions were executed on SIX Swiss Exchange, SWX Europe and Scoach Switzerland collectively in 2008, 27.9% more than in the previous year. The stock exchange turnover amounted to CHF 1,933.6 bn, 23.5% less than the all-time high posted in 2007. The fall in turnover is a result of the general decline in market capitalization of listed companies. The blue chip index SMI® closed at 5,534.5 points (–34.77% as compared to year-end 2007), the SLI Swiss Leader Index® PR at 789.7 points (–39.09%) and the more broad-based SPI® at 4,567.6 points (–34.05%). The number of listed securities rose by 2,852 to a total of 23,818 securities. Bonds increased by 24.3% year on year.

Despite turbulent stock exchanges the world over and highly volatile financial markets, 2008 turned out to be a record year for ETFs (exchange-traded funds). On the one hand, turnover at the exchanges in Zurich and London was up 37% to approximately CHF 39.5 bn and, on the other hand, 25 new products were launched. As a result, the full range of products at year-end 2008 consisted of 150 ETFs on SIX Swiss Exchange and 17 on SWX Europe. The drivers of this further successful expansion were, alongside product diversity, the limited issuer risk, greater recognition, high liquidity and the ease with which ETF investors can buy a diversified portfolio in a single transaction, thus spreading their risk. The first Exchange Traded Product Days jointly held by SIX Swiss Exchange and Scoach were a great success.

STOXX Ltd. further strengthened its position as the leading index provider with a growing market share in ETFs as well as exchange-traded, index-linked futures and options. The product range is being continually extended. In 2008, STOXX launched the Dow Jones STOXX Eastern Europe index family, which covers 18 countries in Eastern Europe by means of 32 new indices. Thanks to the new index family, the coverage of East European countries is now commensurate with that of Western Europe. Thirty-eight new ETFs based on Dow Jones STOXX indices were also launched. These indices are today the underlying instrument of more than 30% of the total funds invested in European ETFs. With an average open interest of approximately EUR 1.7 trillions for options and EUR 95 bn for futures, STOXX retains its position as Europe's market leader and the world's number two among index providers offering underlyings for exchange-traded derivatives. The figures reflect an increase of 30% year on year.

In the year under review, Swiss Fund Data AG too succeeded in markedly raising the number of investment funds participating in the system. On 31 December 2008, the system recorded 7,800 classes of fund units, 1,900 more than at year-end 2007. The economies of scale thereby achieved were passed on to the funds in the form of lower contributions. Specific service extensions created benefits for all participants of the Swiss fund market.

New pricing structure

The Cash Markets division introduced modular trading fees in the second quarter of 2008. Their clear structure offers exchange participants more flexibility in structuring their own fees. As the fees are geared to the features of individual product segments, they satisfy the diverse needs of market participants. The new poster/aggressor model creates incentives to bolster the order books by entering prices. By boosting liquidity, the model increases the exchange's appeal as a trading center. Generous rebate levels are in place to reward high-turnover participants and encourage them not to split up their order flow across several exchanges. The new fee model takes into account the greater stringency of compliance stand-

ards in the financial industry today. By reducing and systematically capping trading fees, the Cash Markets division is making an important contribution towards greater market efficiency.

SWXess – new trading platform

In spring 2009, the new SWXess trading platform will replace the existing platform, which has been operational since 1995. SWXess was completely redesigned on the basis of standard technologies. All product segments – with the exception of blue chips – were migrated to the new system environment in 2008.

SWXess boosts electronic trading performance considerably thanks to a massive increase in capacity, on the one hand, and a significantly higher throughput speed, on the other. Peak transaction rates can be processed within a very short period of time. SWXess offers other advantages as well due to the systematic use of standard components. The participants benefit from simpler interfaces and smoother integration of stock exchange systems in the trading-space solutions, which in turn helps them to reduce operating and development costs. Finally, the new platform is a flexible, modular service offering that is geared to the specific needs of the participants. Once SWXess goes live, the participants will have a powerful securities trading infrastructure at their disposal that is fully equipped for the future.

- *SWXess boosts electronic trading performance.*
- *The first stock exchange in Europe with a liquidity platform for block transactions (dark pool).*

SIX Swiss Block – liquidity service for Swiss blue chips

In the year under review, the Securities Trading business field became the first stock exchange operator in Europe to introduce a liquidity platform for block transactions (dark pool) in Swiss blue chips. This secure, high-performance trading service enables institutional investors to extend their electronic, automated trading strategies to Swiss equities offering the highest profile and liquidity. As the orders are not displayed in the public order book and trades are executed within the current spreads, the market impact of large transactions such as these is marginal. SIX Swiss Block also minimizes the threat of information being leaked. What is more, block transactions can lead to better prices as compared to the spreads in the public order book. SIX Swiss Block is owned and operated by SIX Swiss Exchange. It was developed in collaboration with NYFIX Inc., one of the leading dark pools in the industry.

Feeling the financial market's pulse

Since November 2008, SIX Swiss Exchange has been reaching out to investors with added verve via its new website, which provides transparent and neutral information about exchange trading in Switzerland. Market data, the latest news items and a plethora of background information are meant to encourage private investors to study investment issues. Ingenious financial tools are at hand to analyze securities and investment portfolios. The offering at www.six-swiss-exchange.com is continually being expanded.

Exchange of the Year

On 11 November 2008, Scoach was chosen as "Exchange of the Year" for the second time in succession by the respected industry magazine "Structured Products". Europe's exchange for structured products convinced the jury with its highly diversified range of products and strong liquidity as well as its accelerated speed and access to international liquidity. Scoach enables participants across Europe to access approximately 400,000 structured products listed in Frankfurt and Zurich.

Outlook

The latest developments in the international financial markets have left their mark. The substantially lower trading volumes recorded in November and December 2008 may well continue in the new business year. That said, the Securities Trading business field will in turn benefit from the trend towards a higher number of small transactions. All in all, the turnover is expected to be significantly lower in 2009.

Despite the more complex business environment, SIX Group's Securities Trading business field continues to offer first-rate securities trading services at competitive rates for national and international market participants. The good news for issuers is that the concentration of trading under Swiss regulation simplifies the conditions under which they operate. The ultimate goal remains the same: to sustainably increase the efficiency, reliability and innovative power of the Swiss capital market.

Eurex: sustainable growth and contribution to financial market integrity

Eurex is one of the world's leading marketplaces for exchange-traded derivatives. As Europe's largest central counterparty, Eurex Clearing offers clearing services for both futures and cash markets, thereby setting quality and efficacy benchmarks with its risk management. Alongside these two activities, Eurex' areas of operation include the Eurex Repo (Swiss franc repo, euro repo, GC pooling, securities lending) and Eurex Bonds markets, which are organized under private law. Since December 2007, the International Securities Exchange (ISE), the world's largest exchange for US options, has been part of the Eurex Group.

Even in times of extreme market insecurity as witnessed in 2008, Eurex' business model proved stable, reliable and effective. This is how Eurex – which ended the year with a record turnover of 2,165 m traded contracts – is making a major contribution to the integrity of financial markets. Eurex has consistently developed its business model, and the merger with the ISE adds a new dimension with the creation of the world's largest transatlantic marketplace.

By extending the global distribution networks in 2008, Eurex took an important step towards granting new customer groups access to trading on the exchange. The Trader Development Program was aimed at generating volume growth in emerging markets. Today, more than 200 additional traders from Asia and Central and Eastern Europe, where regulatory issues prevent direct membership, are using the infrastructure of existing participants to trade on Eurex.

Innovation – new products and cooperations

New products provide market participants with a stimulus for their investment, hedging and arbitrage strategies and generate additional trading volumes in due course. With this in mind, Eurex is continually adding new products to its portfolio and launching new asset classes for on-exchange derivatives trading.

In the equity derivatives segment, Eurex introduced over 200 futures and options on German, European and US equities in 2008, a large portion of which were single stock futures. A favorite tool of investors in times of dwindling liquidity reserves, single stock futures had the highest growth rate of all Eurex products, 148%.

Futures and options on the DivDAX and the MSCI Russia Index as well as futures on global and pan-European sectors were the new arrivals among the equity index derivatives last year.

The introduction of equity index dividend derivatives makes the pure dividend component of a blue-chip index available for trading and clearing on an exchange for the first time.

In the first quarter of 2009, Eurex expanded the product range for commodities by adding new futures and options on gold and became the first European exchange to introduce real estate derivatives.

Cooperations also gave rise to new trading opportunities for Eurex participants. A concerted effort by Eurex and the European Energy Exchange (EEX) in Leipzig made it possible for Eurex participants to trade futures and options on EUA and CER futures as of year-end 2007. The trading volume in these emission certificates amounted to 80,084 contracts in 2008.

Eurex Clearing – a key role in securing financial market integrity

Clearing serves as the interface between trading and downstream tasks, such as settlement and custody. With Eurex Clearing, Eurex disposes of a fully integrated clearing house that is the European market leader with a total of approximately 2.2 bn transactions. As central counterparty (CCP), Eurex Clearing ensures that every single trade is settled, even if a trading party fails to deliver. True to its strategic orientation, Eurex Clearing has further extended its range of services for OTC trading in 2008, thus raising the settlement volume by 44% to 856 m contracts.

Eurex Repo

The international Eurex Repo markets turned in an impressive performance in a year shaped by turbulent and volatile markets.

Ever since the Swiss franc repo market was launched, the Swiss National Bank (SNB) has managed its monetary policy via the Eurex marketplace. This is accomplished via standardized daily repo auctions in Swiss francs. The number of participant banks has grown steadily, with the total outstanding volume (SNB repo and interbank) reaching a new peak of CHF 136 bn in October 2008. Primary market activities were enhanced in October 2008 by the regular issues of own debentures by the SNB.

Trading volumes rose in the euro repo market as well, with the average outstanding volume amounting to EUR 71.2 bn in 2008 (up 52% year on year). Sustained growth rates in the GC pooling market confirmed the trend among banks to gain liquidity against collateral. Thanks to the ongoing internationalization of the eligible securities, Eurex Repo was able to cater to these demands for liquidity with attractive products. All in all, the Eurex Repo markets reached a new high in December 2008, with an average outstanding volume of EUR 144.4 bn (+46%).

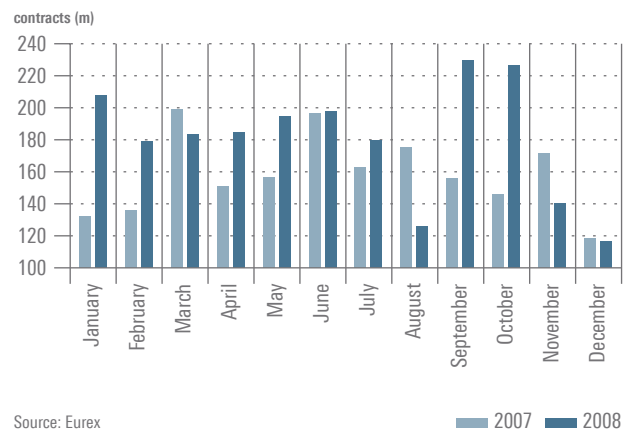
Eurex SecLend, the fully automated electronic marketplace for securities lending and borrowing in equities and fixed-income paper, has a daily quoted volume of around USD 100 bn.

Eurex Bonds

Eurex and ten European bond trading companies together operate the Eurex Bonds trading platform, one of the leading electronic markets for off-exchange interbank trading in fixed-income securities. In December 2008, a total of 32 participants were connected to Eurex Bonds.

The product range covers 860 instruments, such as European government bonds – including inflation-indexed bonds and treasury bills – underlyings of government bonds and futures, agency bonds, bonds of the States of

Eurex trading volume 2007/2008



Source: Eurex

■ 2007 ■ 2008

the German Federal Government, European covered bonds and corporate bonds.

In the first quarter of 2008, Eurex Bonds was granted a license to operate as a Multilateral Trading Facility (MTF) by the German Financial Supervisory Authority (BaFin). In April 2008, the Dutch State Treasury Agency (DSTA) awarded Eurex Bonds and three other trading platforms the status of DSTA-capable platforms. Such platforms are used by Dutch primary dealers to meet their market-making requirements.

Trading turnover on Eurex Bonds climbed to over EUR 97 bn in 2008 (single count).