

Supervision and regulation of SIX Group

Financial market regulation in the broadest sense of the term is of prime importance to SIX Group. On the one hand, various activities are overseen by regulatory or supervisory bodies, such as the Swiss Financial Market Supervisory Authority (FINMA) or the Swiss National Bank (SNB). On the other hand, SIX Group as a self-regulating entity is itself a part of the supervisory structure as regards stock exchange trading.

SIX Group has committed itself to supporting and preserving the existing regulatory framework of the Swiss financial center. The Group, which is in frequent contact with the SNB and the FINMA, strives to comply stringently with rules and regulations at all times.

Self-regulation of stock exchanges reviewed

The regulation, controlling and supervision of stock exchanges are based on the principle of self-regulation as stipulated by the legislator. Both the admission of securities as well as the post-admission duties of issuers require regulation. This also applies to the participants. Furthermore, the relevant authorities must be established to enforce the rules.

For the exchanges SIX Swiss Exchange, Scoach Switzerland and Eurex Zurich, regulatory functions with regard to issuers are performed by the Admission Board and the Admission Division of SIX Swiss Exchange. The independent Surveillance and Enforcement unit, which reported directly to the Chairman of the Board of Directors of SIX Group, was responsible for participant regulation.

The self-regulatory structures were comprehensively reviewed in 2008 with a view to underpinning self-regulation activities and increasing the independence of the self-regulatory bodies vis-à-vis the operating business. Regulatory functions with regard to issuers and participants were merged as of January 2009. As a result, all operating units responsible for regulation have been segregated from operative line functions.

The former Admission Board was renamed the Regulatory Board and made responsible for both issuers and participants. As in the past, the rules issued by the Regulatory Board are subject to approval by FINMA.

SIX Exchange Regulation is responsible for implementing the rules. This activity comprises the functions Listing & Enforcement, for issuers, and Surveillance & Enforcement, for participants. The head reports operational issues directly to the Board of Directors of SIX Group, and technical issues to the Chairman of the Regulatory Board. The Board of Arbitration of SIX Swiss Exchange, the independent Appeal Board and the Sanction Commission are not affected by this reorganization in either their function or activity.

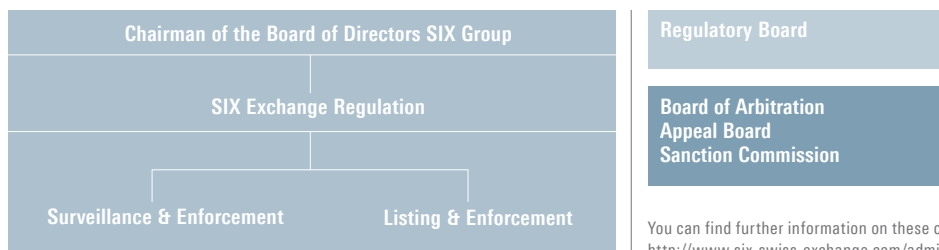
The new solution incorporates the advantages of today's practical and flexible regulation while at the same time increasing the independence of the regulatory structures. By taking global events into account, it moreover strengthens Switzerland's stock exchanges and enhances their reputation.

In a parallel move, the issuer regulations were reviewed in detail, primarily with the aim of compiling a reconciled version of this regulatory document, whose rapid increase in size over the past years reflects the changing market situation. All tasks have been completed and the regulation is due to enter into force on 1 July 2009.

Supervision of systemically relevant settlement systems

Pursuant to Art. 5 para. 2 lit. e of the National Bank Law, it is the SNB's duty to promote the stability of the financial system. As part of this remit, the central bank supervises Switzerland's systemically relevant payment and securities settlement systems. Such systems can be the source of a systemic crisis or act as channels that enable it to spread. This, in turn, can lead to severe credit and liquidity problems for financial intermediaries or even jeopardize the stability of the financial system as a whole.

Self-regulating bodies of the exchanges



You can find further information on these corporate bodies online at http://www.six-swiss-exchange.com/admission/board_en.html.

Subsidiaries of SIX Group operate the systems SIC (inter-bank payment system), SECOM (securities settlement system) and SIX x-clear (central counterparty), which are deemed to be systemically relevant by the SNB. They must therefore meet the minimum requirements set out in the National Bank Ordinance.

On behalf of the SNB, SIX Interbank Clearing provides services that are essential to the settlement of payments in the systemically relevant SIC system. As SIC's system manager, the SNB maintains giro accounts for the participating financial institutions that form the system's core. The collaboration between the SNB and SIX Interbank Clearing on operation, maintenance and development is contractually regulated.

Security requirements based on international IT standards are in place to reduce technical and operational risks in SIC. The organizational and transparency requirements are in line with widely accepted corporate governance guidelines.

The minimum requirements, observance of which is monitored by the SNB, are aimed primarily at reducing systemic risk. They are applied to the organization, public information and the basic contracts as well as to the limitation and controlling of credit/liquidity risks and means of payment. However, they also feature security requirements for operational and technical risk controlling and reduction along with information security and system access requirements.

All in all, Switzerland's systemically relevant systems are distinguished by high degrees of security and efficiency. The architecture of these infrastructures is conducive to minimizing the risks typically associated with the settlement of payments and securities transactions. Their integration allows for efficient, highly automated transaction settlement and minimizes the related systemic risks.

Banking and consolidated supervision by FINMA

Besides the system supervision performed by the SNB with regard to payment and securities settlement systems, parts of SIX Group are also subject to direct institutional supervision by FINMA. SIX SIS and SIX x-clear have operated as licensed banks since 1999 and 2003 respectively and are therefore required to comply with Swiss banking regulations. The latter include – alongside equity and risk diversification rules – provisions with regard to guarantors, internal organization and the separation of powers. Changes to the articles of association or organizational and business regulations must be approved by FINMA in advance.

Although the greater part of SIX Group is not subject to banking or stock exchange regulation, FINMA has classified it as a financial group pursuant to the banking law due to its significance for the financial center at large. Hence, SIX Group is subject to institutional supervision by FINMA at Group level, albeit with exceptions. Accordingly, the guarantors and internal organization, the organization, competency and business regulations, and the risk controlling and risk management regulations are subject to approval by FINMA.