

## Securities Services

### Increase in volume in the international securities business

In the Securities Services business field, the year under review saw a slight increase in revenue on the previous year from CHF 230.0 million to CHF 244.5 million. The growth in cross-border settlement transactions, increase in clearing trades, and new customer funds offset the low interest rates and rise in client netting activities in the domestic market. Following the introduction of the SIX Securities Services brand, all of SIX Group's securities services are now presented under the umbrella of a single corporate identity.

Numerous regulatory initiatives in Europe are creating a number of challenges with respect to the future framework and general conditions in the Securities Services business field. In the settlement business, the European Central Bank's (ECB) initiative "TARGET2-Securities" to set up a central infrastructure for settlement in Europe by 2014 represents an important step. SIX Securities Services is working closely with the ECB, the Swiss National Bank (SNB) and its clients to develop potential options for participation in the initiative.

In various countries, regulatory interventions are delaying the introduction of interoperability between clearing

organizations and thus the opening of markets; this is hampering SIX Securities Services in meeting its target of rapidly increasing the volume of clearing transactions. Based on the number of affiliated stock exchange platforms, the company is a leading provider in the clearing business and is thus in an excellent position to expand internationally. SIX Securities Services succeeded in attracting numerous exchanges and clients to its clearing business in 2010.

#### Success despite low prices and interest rates

SIX Securities Services increased its revenue to CHF 244.5 million in 2010 from CHF 230.0 million in 2009. The growth in clearing transactions continued, with an increase of 24.9% from CHF 33.4 million in 2009 to CHF 41.7 million in the year under review. Although the number of cross-border settlement transactions increased by 16.7% to CHF 5.8 million, the total quantity of settlement transactions decreased from 28.8 million to 23.4 million. The main reason for this was the rise in client netting activities, where several small transactions are bundled into a single large transaction. The influx of new customer funds amounted to CHF 64.6 billion, 15.9% more than in 2009. The volumes held in client custody accounts fell slightly due to declining euro

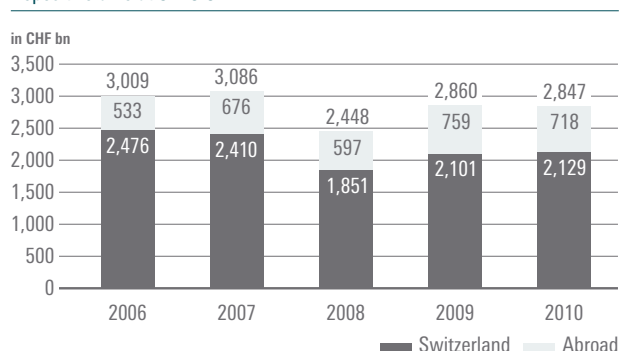
#### Key figures of the Securities Services business field

Securities Services division	2010	2009	Change in %
Revenue <sup>1</sup> (in CHF 1,000)	244,532	230,034	6.3
Workforce (in full-time equivalents) as at 31.12.	459.9	411.6	11.7
Revenue <sup>1</sup> per employee <sup>2</sup> (in CHF 1,000)	561	569	-1.4
Number of settlement transactions (in 1,000)	23,397	28,842	-18.9
Deposit volume (in CHF m)	2,846,559	2,859,554	-0.5
Increase in customer holdings (in CHF m)	64,613	55,728	15.9
Number of clearing transactions (in 1,000)	41,680	33,371	24.9

<sup>1</sup> Revenue according to the internal management information system

<sup>2</sup> Calculated on the number of employees based on the average number of full-time equivalents between 1.1. and 31.12.

#### Deposit volume at SIX SIS



and dollar rates and the flat stock market performance of Swiss securities from CHF 2,859,554 million in 2009 to CHF 2,846,559 million in the year under review. Interest income remained at a low level due to the continually low interest rates. By the end of 2010, repo services were being provided to 174 clients, 16 more than the previous year. While the number of Swiss companies for whom the division managed share registers fell by nine to 182, SIX Securities Services was able to increase the quality of its mandates, meaning that overall it was managing more shareholders than previously.

#### **Market proximity and innovative infrastructure**

The launch of SIX Securities Services marked the beginning of a new branding strategy, under which the entire Securities Services value chain has been presented under one united and integrated banner since the new branding was unveiled at the Sibos industry exhibition in October. Marketing activities were stepped up. In order to enhance client proximity and align strategic initiatives with users, SIX Securities Services established a Senior Advisory Board of high-ranking bank representatives, which met for the first time in December in London, and a new sales office was opened in London. SIX Securities Services provides services for 61 markets across the globe, six more than in the previous year.

During the year under review, SIX Securities Services focused on two innovative financial infrastructure projects in the Swiss market: the electronic land registry information portal Terravis, a project carried out by SIX Group together with the Swiss federation and cantons, came into operation in 2010; and preparations were also made for the implementation of a securities database, which will provide financial institutions with centralized and automated back-office functions in the area of internal data preparation as of 2011.

#### **Positive outlook**

SIX Group will continue to implement further price reductions in the clearing business in 2011. These cost reductions, which will be generated by the economies

#### **Securities Services business field**

SIX Group employs approximately 480 employees in the Securities Services business field who are responsible for post-trade stock exchange processes. It provides the Swiss financial center and international markets with an efficient and largely automated infrastructure.

In the Swiss value chain, SIX x-clear Ltd is responsible for clearing and, as a central counterparty (CCP), assumes risk management functions for SIX Securities Services. The following step is the settlement process, i.e. the electronic settlement right through to the finalization of transactions. SIX SIS Ltd is responsible for this process and, as the domestic central securities depository for assets and documents, is also responsible for the custody business. SIX SAG Ltd, the final link in the SIX Securities Services chain, manages share and special share registers in Switzerland and organizes general meetings.

of scale achieved through the expansion of cross-border activities, will be passed on to its clients.

SIX Securities Services will lobby the respective international authorities for swift progress in liberalizing the clearing and settlement businesses together with a suitable level of regulation. Given the increase in netting rates, SIX Group expects to see a further decline in settlement transactions in 2011, although cross-border settlement transactions and clearing volumes are likely to pick up again. Overall, the company forecasts a slight increase in revenue.