SIX Swiss Exchange message no. 12/2015

Title: Initial Announcement SWXess Maintenance Release 5.1 (SMR5.1)

Category: SWXess Trading Platform

Authorised by: Adrian Isler; Head Market Operations
Rolf Broekhuizen; Head Business Engineering

Pages: 5
Date: 12.05.2015

Content of this message:
- SMR5.1 is an optional release with mandatory configuration adjustments
- Overview of functional and technical changes with SMR5.1
- Regulatory changes with SMR5.1
- Rollout Plan SMR5.1 for Membertest (14.09.2015) and Production (26.10.2015)

SIX Swiss Exchange is to carry out a further upgrade of its “SWXess” trading platform as part of its ongoing improvement efforts. The aim of SWXess Maintenance Release 5.1 (SMR5.1) is the introduction of the new “Self Match Prevention” service as well as the optimisation of post-trade processes and reporting.

This message gives you an initial overview of the key changes with SMR5.1 and contains additional information on the timetable for the rollout of this SWXess release.

Functional Changes

With SWXess Maintenance Release 5.1 (SMR5.1), SIX Swiss Exchange will mainly introduce the new “Self Match Prevention” functionality for order book trading as well as enhancements in reporting and post-trade processing.

This section contains a description of the SWXess changes introduced with SMR5.1 as well as the functional changes.

On-Exchange, on-order-book trading

- The new “Self Match Prevention” (SMP) service for on-Exchange, on-order-book trading is introduced with SMR5.1. The new functionality prevents on-order-book execution of orders and quotes of the same participant (Party ID) that are labelled as own transactions (Principal). “Self Match Prevention” will be implemented in accordance with the “cancel oldest” principle. This means that in an executable situation no trade takes place between nostro orders/quotes of the same participant; instead, the older of the two executable orders/quotes is deleted from the order book.

This section gives an overview of the new SMP functionality:

<table>
<thead>
<tr>
<th>Trading interface</th>
<th>Standard Trading Interface (STI)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OUCH Trading Interface (OTI)</td>
</tr>
<tr>
<td></td>
<td>Quote Trading Interface (QTI)</td>
</tr>
<tr>
<td>OBM</td>
<td>On Book Matcher Partition 1 – Equities</td>
</tr>
<tr>
<td>Market model</td>
<td>Central Limit Order Book (CLOB)</td>
</tr>
<tr>
<td>Trading segments</td>
<td>Blue chip shares</td>
</tr>
<tr>
<td></td>
<td>Mid/small cap shares</td>
</tr>
<tr>
<td>Trading periods</td>
<td>Continuous trading</td>
</tr>
<tr>
<td>Order types</td>
<td>Normal order</td>
</tr>
<tr>
<td></td>
<td>Iceberg order (entire volume of the Iceberg order is deleted with SMP)</td>
</tr>
</tbody>
</table>
"Self Match Prevention" is an optional service that can be used by all participants. Use of the new functionality requires technical adjustments to trading interfaces.

- The method of reference price adjustment as per section 9a of Directive 3: Trading, is optimised for specific trading segments if there is no trade on the Exchange in the order book during trading hours, despite an open order book.

Currently, the reference price is not adjusted if, at the close of trade, there is no bid price and no ask price in the order book. Under the new method, the last available bid price and ask price during a period prior to the close of trade are taken into account when calculating the system-adjusted reference price. There is no change in the procedure as to whether the bid price or ask price is set as the new reference price compared with the current definition in Directive 3: Trading.

The new method increases the probability that the reference price can be adjusted by the system after the close of trade if no trading has taken place in the order book; this in turn leads to more up-to-date reference price data for our participants.

Trade and Transaction Reporting

- The domain name of the Member Section of SIX Swiss Exchange is being amended to meet more stringent security requirements.

<table>
<thead>
<tr>
<th>Old domain name</th>
<th>New domain name</th>
</tr>
</thead>
</table>

The new domain name of the Member Section requires mandatory configuration adjustments by participants that use the following interfaces and services:

- Reference Data Interface (RDI)
- Market Data Interface (MDI)
- Trade and Transaction Reporting (TTR)
- Participant Trade Reconciliation Report (TRR)
- Sponsored Access (SA)
- Bilateral Trading Platform for Structured Products (XBTR)
- Billing Reports

This change will be introduced with productive migration.

- The following enhancements are being implemented in the Trade and Transaction Reporting Application:
  - For a clearer distinction between the request for an "On Behalf Cancellation" and the cancellation of a transaction in the application, the designations of the functions will be changed in the Reporting GUI:

<table>
<thead>
<tr>
<th>Functionality</th>
<th>GUI Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>On Behalf Cancellation request</td>
<td>Cancel Trade</td>
</tr>
<tr>
<td>Cancellation of a transaction in the GUI</td>
<td>Back (previously Cancel)</td>
</tr>
</tbody>
</table>

- For the reporting of trades and transactions, it is mandatory to enter a value in the "RptID" (Reporting ID) attribute. Participants can define the Reporting ID themselves; alternatively, the application will generate an ID for the participant via the "Generate RptID" function. To prevent error reports due to missing or incorrect Reporting IDs, the
Reporting application is being enhanced in that the Reporting ID will be generated automatically if the "RptID" attribute is blank.

- The process of cancelling transaction reports via File Upload is being enhanced. A function for the creation of a file for the cancellation of transaction reports is now available in the Reporting application; the Cancellation file produced by this application can be uploaded by the participant via GUI or Curl and results in the cancellation of the transaction reports.

Post-trade settlement

- At the request of participants, the **Standard Settlement Cycle for Rights and Shareholder Options** for on-exchange, on-order-book trades is being adjusted as follows:

<table>
<thead>
<tr>
<th>Trading day</th>
<th>Standard settlement cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>First trading day</td>
<td>T+2</td>
</tr>
<tr>
<td>From the second trading day and for the remaining trading days</td>
<td>T+1</td>
</tr>
</tbody>
</table>

The deadlines for cancelling trades are unaffected by this shortening of the settlement cycle; trades can continue to be cancelled on the same trading day or the subsequent trading day.

- Following the SMR5.1 rollout, participants will have greater flexibility in terms of configuring recipients of e-mail messages in the event of a trade being cancelled. Participants can now define different e-mail recipients for the Membertest and Production environments and it is now also possible to configure multiple e-mail recipients for each environment.

- **Invoicing for extraordinary fees** as per section 5 in Directive 7: Fees and Costs is being enhanced. The fees for mistrades and cancellations (On Behalf and countertrades) will no longer be billed separately but instead included in the monthly invoice for trading fees. The details of cancelled trades will now be made available in the Billing Report in the Member Section and labelled accordingly.

- The **Billing Reports** in the Member Section of SIX Swiss Exchange will be enhanced and brought into line with current requirements. New attributes will be added, existing attributes entered again and obsolete attributes removed.

A specification is now available in the Member Section for the Billing Report.

Reference and market data

- The **designations of the trading segments** for SIX Swiss Exchange and SIX Structured Products Exchange will be harmonised with the technical interfaces and directives as well as the guides.

Other services

- **XBTR – Bilateral Trading Platform for Structured Products**

With SMR5.1, the Bilateral Trading Platform for Structured Products "XBTR" will be extended in functional terms as follows:

- A new attribute for identifying whether the transaction is a primary or secondary allocation will be introduced in the XBTR trading interface.

- New notification reports will be introduced in the XBTR application:
  - if the issuer has received a new request for a quote;
  - if the client has received a new quote from the issuer; and
  - if the issuer has received a response to the client's quote.

Introduction of the new designation requires mandatory adjustments by participants who use the XBTR trading interface for trading.
SIX Swiss Exchange wishes to inform participants that the supplier of the "Risk eXposure" (RX) software for risk management checks is now called **NASDAQ OMX TradeGuard**.

Further details on the functional changes will be published and communicated in due course prior to the introduction of SMR5.1 in the Membertest environment.

### Technical Changes

The functional changes described above which will be introduced with SWXess Maintenance Release 5.1 (SMR5.1) are essentially transparent for SWXess interfaces and do not require any mandatory adjustments to participants' systems and interfaces.

The only exception is the mandatory adjustment of participants' scripts for the automated downloading of files that need to be adapted due to the change in the domain name for the **Member Section**.

Please find all SMR5.1 related interface specifications as well as further information about functional and technical changes in MSC message 10/2015. The corresponding technical release notes are available in the **Member Section** of SIX Swiss Exchange.

<table>
<thead>
<tr>
<th>Document</th>
<th>Link</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSC messages</td>
<td><a href="https://www.six-swiss-exchange.com/member_section/it/messages.html">https://www.six-swiss-exchange.com/member_section/it/messages.html</a></td>
</tr>
</tbody>
</table>

### Regulatory Changes

The functional and technical changes with SMR5.1 also necessitate regulatory changes. The following regulatory documents and manuals may be affected:

- Rule Book of SIX Swiss Exchange and SIX Structured Products Exchange
- Directives of SIX Swiss Exchange and SIX Structured Products Exchange
- Reporting Office Rules for the Fulfilment of the Legal Reporting Requirements for Securities Dealers
- Trading and Reporting Guides

Updates to the rule book, directives and guides for SMR5.1 will be communicated one month before the productive rollout of SMR5.1 at the latest by means of an SIX Swiss Exchange message. They will also be published on the websites of SIX Swiss Exchange and SIX Structured Products Exchange.

### Rollout

SIX Swiss Exchange plans to roll out SMR5.1 as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 September 2015</td>
<td>First trading day with SMR5.1 in <strong>Membertest</strong> environment</td>
</tr>
<tr>
<td>26 October 2015</td>
<td>First trading day with SMR5.1 in <strong>Production</strong> environment</td>
</tr>
<tr>
<td>7 December 2015</td>
<td>Contingency first trading day with SMR5.1 in <strong>Production</strong> environment</td>
</tr>
</tbody>
</table>

Before SMR5.1 is rolled out into production, participants will have a window of approximately 6 weeks to test their applications and processes in the Membertest environment.

We will approach you ahead of the Membertest and Production phases to provide information and to advise on possible and required configuration changes.
SIX Swiss Exchange is continuously striving to extend and improve the SWXess trading platform and our participants will benefit from the improvements and optimizations resulting from SMR5.1, which guarantee continued efficient trading and post-trade processes.

If you have any questions, please do not hesitate to contact Member Services:

Telephone: +41 58 399 2473  
E-mail: member.services@six-group.com