

Media Release

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SIX x-clear Ltd
Brandschenkestrasse 47
CH-8002 Zurich

Mailing address:
P.O. Box 1758
CH-8021 Zurich
T +41 44 288 4311
F +41 44 288 4312
www.six-x-clear.com

SIX x-clear and LCH.Clearnet publish interoperability summary

SIX x-clear, the Central Counterparty (CCP) and licensed Swiss bank and LCH.Clearnet Limited (LCH.Clearnet), the leading independent clearing house, have today published a summary link agreement which provides the framework for successful interoperability across Europe. The existing interoperability arrangement between the clearing houses which serves the London Stock Exchange and SIX Swiss Exchange uses this link agreement.

The agreement is based upon a proven model which successfully withstood the Lehman default. The model has been designed to minimise the risk of contagion by safeguarding the assets of the non-defaulting CCP and its members.

Key features include:

Integrity of risk management:

- Each CCP retains the authority to determine the eligibility of trades for clearing
- Margining process preserves the integrity and safeguards of each CCP

Protection from contagion in the event of a default:

- Defaulter pays' model ensures protection for non-defaulting CCP and its members
- Distinct default funds minimises contagion in the event of a CCP default

Urs Wieland, Member of the Executive Committee and Head of Risk Management at SIX x-clear, commented:

"SIX x-clear and LCH.Clearnet understand and support the market's need for transparency. By publishing all major contents of our inter-CCP contract, SIX x-clear and LCH.Clearnet remain committed to championing the needs of our clients by providing safe, secure and transparent interoperable CCP links.

CCPs should never compete on risk and when interoperability is implemented correctly, risk is not compromised. The introduction of competitive clearing for UK equities on the LSE caused no market disruption and showed the true benefits of the system – move to your favoured clearer immediately or simply stay with the incumbent, all the while experiencing no disruption."

Wayne Eagle, director of equity services LCH.Clearnet, commented:

"LCH.Clearnet and SIX x-clear have a proven model that has withstood the largest default in history. It demonstrates that interoperability can be safe and secure so long as the structure preserves the integrity of the CCPs and minimises contagion in the event of a default through securely ring-fencing the surviving CCP and its members."

Further information: <http://www.ccp.sisclear.com/ccp/about/about-publications.htm>

SIX SIS Ltd, Divisional Communications, Sara Bouachir
Phone: +41 (0)44 288 4561, Fax: +41 (0)44 288 5561
Email: sara.bouachir@sisclear.com

LCH.Clearnet Ltd, Corporate Communications, Andrea Schlaepfer, Rachael Harper
Phone: +44 (0) 20 7426 7463/7175, +44 (0) 20 7426 7175
Email: Andrea.Schlaepfer@lchclearnet.com, Rachael.Harper@lchclearnet.com

SIX x-clear Ltd is part of SIX Group Ltd, the integrated Swiss financial market infrastructure provider. The company acts as the Central Counterparty for SIX Swiss Exchange and the London Stock Exchange and is in charge of risk management within the Securities Services division of SIX Group. SIX x-clear is licensed as a bank under Swiss law and enjoys the status of a Recognised Overseas Clearing House in the United Kingdom. SIX x-clear offers efficient and cost-effective central counterparty and clearing services in the field of securities settlement.

www.six-group.com; www.six-x-clear.com

LCH.Clearnet is the leading independent clearing house group, serving major international exchanges and platforms, as well as a range of OTC markets. It clears a broad range of asset classes including: securities, exchange traded derivatives, energy, freight, interbank interest rate swaps and euro and sterling denominated bonds and repos; and works closely with market participants and exchanges to identify and develop clearing services for new asset classes.

A clearing house sits in the middle of a trade, assuming the counterparty risk involved when two parties (or members) trade. When the trade is registered with a clearing house, it becomes the legal counterparty to the trade, ensuring the financial performance; if one of the parties fails, the clearing house steps in. By assuming the counterparty risk, the clearing house underpins many important financial markets, facilitating trading and increasing confidence within the market.

Initial and variation margin (or collateral) is collected from clearing members; should they fail, this margin is used to fulfill their obligations. The amount of margin is decided by the clearing house's highly experienced risk management teams, who assess a member's positions and market risk on a daily basis. Both the soundness of the risk management approach and the resilience of its systems have been proven in recent times. LCH.Clearnet is regulated or overseen by the national securities regulator and/or central bank in each jurisdiction from which it operates.