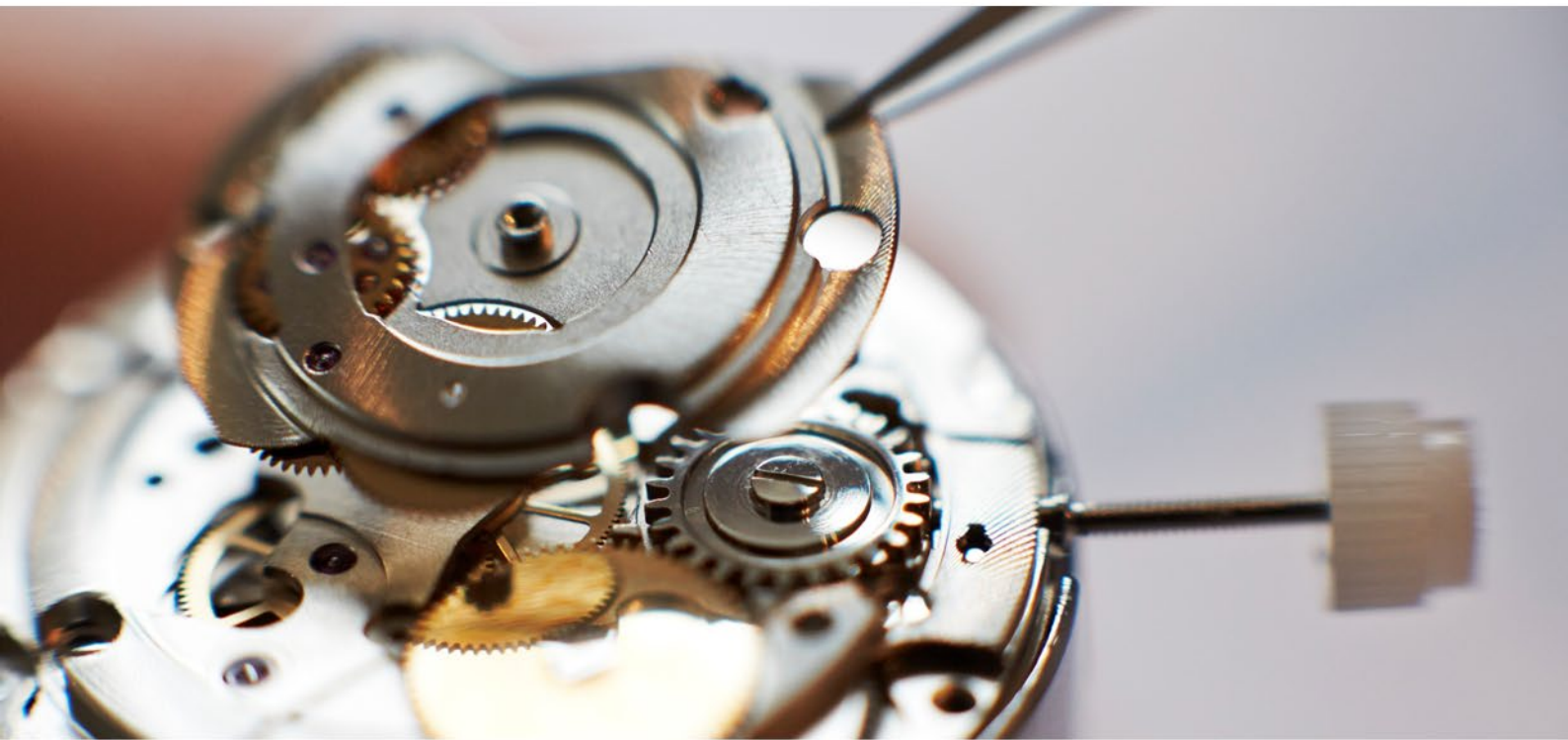




Service Description SIX x-clear AG

**CCP Clearing Services for Equity Transactions for Members on
SECOM**
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March 2025





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CCP Clearing Services for Equity Transactions for Members on SECOM

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1. Introduction

1.1 SIX x-clear AG

SIX x-clear AG (hereafter referred to as “SIX x-clear”) is a wholly-owned subsidiary of SIX Group AG. As a central counterparty (CCP), it offers a comprehensive range of high-quality clearing services underpinned by strong real-time risk management and operational efficiency across multiple trading platforms. SIX x-clear started business operations in May 2003.

The Swiss Financial Market Supervisory Authority (FINMA) granted SIX x-clear its license as a CCP under the Swiss Financial Market Infrastructure Act (FMIA) on 28 March 2018, acknowledging the regulatory compliance of SIX with the Swiss legal framework. The FMIA mandates strict rules in order to grant such a license. This shows that SIX holds up to the high standards set by the FMIA and will continue to serve its Members diligently in this highly regulated market.

The banking license previously in force was returned with the licensing under the FMIA. Nevertheless, SIX x-clear remains subject to supervision by FINMA and the Swiss National Bank (SNB) for services of systemic importance.

SIX x-clear received confirmation of recognition from the European Securities and Markets Authority (ESMA) as a Tier 1 third-country CCP in March 2022. This qualification remains valid for 5 years. The ESMA recognition grants SIX x-clear the right to provide clearing services to clearing members and trading venues across the European Union. As a prerequisite of the recognition, SIX x-clear is also registered by the German authorities as a designated payment and securities settlement system under the EU's Settlement Finality Directive.

In order to be able to continue offering its services in the UK, SIX x-clear applied for recognition as a third-country CCP to the Bank of England (BoE) and is recognized as a third-party CCP within the Temporary Recognition Regime (TRR). As a prerequisite of the recognition, SIX x-clear is also registered by the UK authorities as a designated payment and securities settlement system under the EU's Settlement Finality Directive.

1.2 Role of a CCP

A CCP takes on the role as the buyer versus the seller and the role as the seller versus the buyer, hence replacing the original parties to the trading transaction. During the lifetime of the trade between trading and settlement, SIX x-clear manages or facilitates trade management, position management, risk management, collateral management, delivery management and settlement calculation, as well as participates in the settlement process. The counterparty risk is mitigated through daily collateralization of exposures, using best-practice risk models and setting high risk management standards. The primary functions of a CCP are therefore to:



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- eliminate the bilateral relationship between the original parties and, in doing so, remove counterparty risk for correct settlement towards the other party of the trade until final settlement of the contract;
- perform daily margin calculations and collateral management;
- simplify the settlement process, including the establishment of netting arrangements, and thereby reduce the volumes and costs associated with settlement; and
- facilitate post-trade anonymity.

Most European marketplaces require the use of a CCP to clear equity market instruments.

1.3 Connected trading platforms and CSDs

An overview of markets that SIX x-clear accepts trades from and accepted places of settlement can be found in Form 002A available in the info center of SIX x-clear webpage.

2. Membership

SIX x-clear admits participants in the capacity of a General Clearing Member (GCM) or an Individual Clearing Member (ICM). A participant of a marketplace that elects not to become a Member must clear its transactions through a GCM as a Non-Clearing Member (NCM). The contractual party to the NCM will not be SIX x-clear, but rather the GCM, which in turn is the contractual party to SIX x-clear.

Roles	Description
Trading platforms	An exchange or MTF, or a technical platform other than an exchange or MTF where the matching of transactions or, if applicable, bilateral transactions takes place and in respect of which SIX x-clear provides clearing services
Trading member	A member of a trading platform
Member	A member who trades on a trading platform market; a trading platform member that is not a Clearing Member must enter into an agreement with a GCM
CCP	SIX x-clear, a co-CCP (if any) or another clearing organization contracted to act as the CCP by a trading platform and thereby to be interposed as the counterparty to its members on either or both the buy and sell legs of a trading platform transaction
Clearing Member	An entity that has entered into a Membership Agreement with SIX x-clear as an ICM or GCM
Settlement participant	A participant in a CSD system
CSD	A central securities depository



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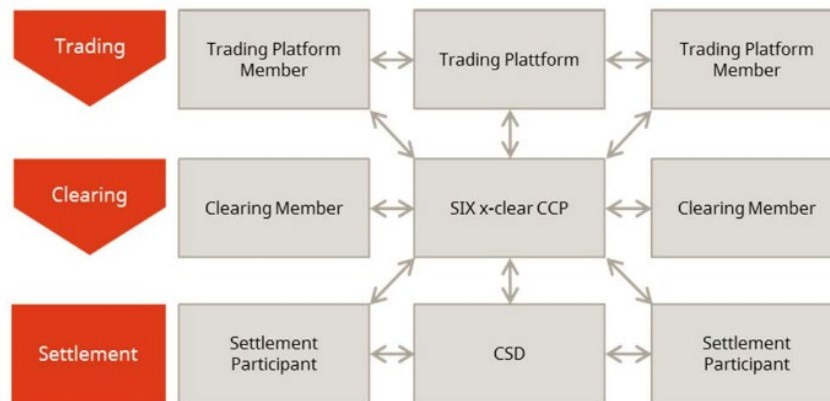


Figure 1 Participants and roles

2.1 Membership types

Institutions that satisfy the membership criteria of SIX x-clear may choose to be either:

- an Individual Clearing Member (ICM); or
- a General Clearing Member (GCM).

All Members shall enter into a Membership Agreement with SIX x-clear.

As an ICM, the Member is responsible for clearing their trades carried out in the trading platform on their own account and/or on account of their customers.

A GCM may in addition take on the responsibility for clearing trades carried out by trading platform members that are not Members. The latter are referred to as Non-Clearing Members (NCMs). There is no legal agreement or relationship between an NCM and SIX x-clear.

Member type	Trading Member	x-clear Member	Description
ICM	Yes	Yes	Clearing own business
GCM	Yes or no (not a prerequisite for a GCM)	Yes	Clearing own business and/or on behalf of other Trading Members
NCM	Yes	No	Clearing through a GCM

2.2 Membership requirements

Please see the General Terms and Conditions of Business of SIX x-clear for membership requirements.

3. Account structure

The Member shall have at its disposal the structures more specifically defined in the Operational Manual. The Member shall select the structure that best suits its accounts and custody accounts for claims and liabilities from outstanding contracts as well as for



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depositing permissible collateral (collateral accounts) and in accordance with the applicable law.

The collateral accounts mirror the Member's collateral held by the supported collateral service provider to meet the margin requirements on the associated margin account.

SIX x-clear enables NCMs to decide on the degree of protection they require in relation to the risk of default by the Member. The NCM accounts shall be insulated from losses on the Member accounts; netting between segregated accounts shall be prevented. NCMs are therefore permitted to choose between the following three categories in the account structure provided by the Member:

- a. Omnibus client segregation (OCS): All NCMs of a GCM are margined together.
- b. Mini omnibus client segregation (Mini OCS): Two or more NCMs are margined together.
- c. Individual client segregation (ICS): An NCM is margined by itself and not together with any other NCMs.

4. User interface

SECOM is the core application for clearing and settlement services of SIX x-clear. In its numerous functions, it includes risk management, margin calculation and clearing transactions. It is designed to ensure efficient and secure clearing operations and to support multiple asset classes and regulatory requirements.

Users can either log into the browser-based SIX Web Services (SWS) or install webMAX PRO, ensuring safe communication via VPN to SECOM, without depending on public internet. Both interfaces are seamlessly integrated with the SECOM clearing system.

In addition to the applications, SIX x-clear provides general clearing information to its Members via standardized messages based on the ISO 15022 format (MT messages) as well as a range of flat-file reporting options. The service allows Members to subscribe to one or several of the messages and reports provided. MT messages are distributed via dedicated communication channels making use of Message Queuing ("MQ"), SWIFT, CC Link and SIX Web Services. Members communicating via MQ must set up separate local message queues for communication with SIX x-clear. Reports are distributed via SIX Web Services, SFTP and CC Link. Further information on how to set up communication with SIX x-clear is provided upon request.

5. Trade capture and processing

Open positions

Initial and variation margins are applied on a clearing account's open positions. All unsettled trades on a Member's clearing account are summarized per security and



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currency (of trade) into one position called an open position. The unsettled trades may result from trading on different trading platforms. Hence, a clearing account normally has one open position per traded security and currency combination. Open positions are computed in real time by SIX x-clear and also include unsettled corporate action claims.

The margin requirement of the Member is currently computed in CHF. SIX x-clear takes into account the currency risk during the mark-to-market process and applies the latest foreign exchange rates to compute the total margin requirement of Members. The foreign exchange rates are received using a near-real-time feed once an hour.

6. Trade capture

All trades that are matched in the trading systems and eligible for clearing are submitted by the trading platform to SIX x-clear's clearing system SECOM in real time. The trading platform also notifies SIX x-clear of any corrections or cancellations in accordance with its rules.

6.1 Settlement netting

SIX x-clear aggregates and nets all gross clearing transactions of the Member registered during a clearing day and creates one net clearing transaction per ISIN, currency, settlement date and location on the respective clearing account.

If the netting process results in delivery or receipt of both cash and securities, only cash or securities, or neither cash nor securities ("strange net"), SIX x-clear applies the strange net handling option selected by the Member.

SIX x-clear can either aggregate and net buy and sell gross clearing transactions separately and create two net clearing transactions, one DVP and one RVP transaction, or directly instruct the fully netted transactions.

The Member can also decide on whether SIX x-clear instructs or not the "nil deliveries" (both cash and securities net to 0).

In the figure below, scenarios 1 and 2 are clean nets and scenarios 3 to 9 are strange nets.

	Aggregation model		Segregation model	
	Net settlement	Aggregation	Net settlement	Segregation
1	DVP	DVP	DVP	DVP
2	RVP	RVP	RVP	RVP
3	DFP	DVP + RVP	DFP	DFP
4	RFP	DVP + RVP	RFP	RFP
5	DSM	DVP + RVP	DSM	DFP + PMO
6	RSM	DVP + RVP	RSM	RFP + RMO



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	Aggregation model		Segregation model	
	Net settlement	Aggregation	Net settlement	Segregation
7	PMO	DVP + RVP	PMO	PMO
8	RMO	DVP + RVP	RMO	RMO
9	NLD	DVP + RVP or no instruction	NLD	No instruction

6.2 Matching of settlement instructions

Members of SIX x-clear have the following two options on how to create and match settlement instructions:

- SIX x-clear, on the back of a Power of Attorney, may generate settlement instructions on behalf of the Member and send them to the Member or its agent for further amendments and distribution (preferred option).
- Either acting on their own behalf or through a settlement agent, the Member submits their own settlement instructions and thereby matches the settlement instructions that SIX x-clear submits into the local CSD as its counterparty.

6.3 Failed Delivery

At the outset, settlement shall take place as originally agreed with the Member. CCP clearing, however, presupposes that the CCP receives the securities from the delivering Member in order to perform delivery of the securities to the receiving Member.

Consequently, should the delivering Member fail to deliver, the CCP fails to deliver to the receiving Member on the intended settlement date (ISD).

If the seller has not delivered the securities on ISD, a buy-in process is initiated after a certain market-specific period of time (ISD+4) with a pre-notification (if subscribed by the Member). The buy-ins are executed on ISD+5. However, under certain circumstances, an extended buy-in execution deadline applies (ETF transactions: ISD+8; Market Maker transactions: ISD+11). For the non-delivery of instruments, SIX x-clear, as the formal counterparty to the buyer, acquires the missing securities in the market and passes on the costs incurred to the seller that has failed to fulfill the transaction. The aim of performing a buy-in process is to ensure liquidity in the market and to fulfill agreed trades in a reasonable timeframe.



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For more detailed information, please refer to the Operational Manual of SIX x-clear.

7. Risk management

7.1 Introduction

SIX x-clear provides robust risk management in order to secure continuity on the cleared marketplaces and to perform its obligations towards non-defaulting Members in the event of a default. SIX x-clear has set up a risk model with several layers to mitigate the risk of being a CCP. Members are required to post collateral to SIX x-clear for the estimated risk based on the daily activity (margin). Members are also requested to contribute to the default fund and Link Margin Element.

7.2 Margin

7.2.1 Calculating the margin requirement

SIX x-clear requires its Members to transfer or pledge collateral to meet their margin requirement. Margins are calculated to cover current and potential exposures on all cleared (open) positions.

The calculation takes into consideration all unsettled positions.

Margins are calculated continuously during a clearing day, and Members have access to the information related to the margin calculations as well as collateral values via the user interfaces mentioned above.

The margin methodology, including the models to determine margin rates, volatilities, correlations, and risk free rate(s), is subject to regular reviews. Please consult the Operational Manual.

7.2.2 Margin calls

A margin call is raised by SIX x-clear to its Member(s) to post additional collateral to offset credit risks in case of unsecured margin requirements.

SIX x-clear continuously recalculates the margin and the permissible collateral value during the business day. SIX x-clear may define limits on risk exposure applicable to



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Members. Upon a breach of such limits, SIX x-clear issues a margin call. Margin call information is available via a technical interface.

7.3 **Default fund**

The default fund represents Members' funded contributions towards the CCP's mutualized loss sharing arrangement as agreed in the respective Financial Collateral Agreements. According to the Rulebook, Members are required to participate in and contribute to the default fund. SIX x-clear operates a common default fund.

7.4 **Link Margin Element**

SIX x-clear has a clearing link with LCH Ltd (LCH) and Cboe Clear N.V. (Cboe Clear).

Members participating in a product segment (e.g. cash products) subject to an interoperable link or clearing co-operation are required to post additional margin as part of their daily margin requirement, enabling SIX x-clear to meet its margin requirement under a link or clearing co-operation agreement.

7.5 **Collateral**

7.5.1 **Introduction**

Members shall provide collateral to meet their margin requirement, default fund and, where applicable, Link Margin Element contribution. Cash collateral shall be transferred to designated collateral accounts owned by SIX x-clear, or subject to other mechanisms for securing collateral acceptable to SIX x-clear. Collateral in the form of financial instruments shall be pledged to SIX x-clear via a full title transfer.

7.5.2 **Eligible collateral**

SIX x-clear accepts collateral in accordance with the list of criteria for eligible instruments. The following collateral types are accepted:

- Financial instruments held on a securities collateral account, in accordance with the list of eligible collateral and lending norms published on the website.
- Cash held in a cash collateral account. SIX x-clear accepts freely convertible currencies. The list can be found in the lending norms.

Collateral to satisfy the default fund contribution is limited to interest rate instruments and cash. The collateral value is calculated as the market value for each collateral object with the deduction of a haircut. The collateral value of an equity market instrument approved for clearing is included in the margin calculation.



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8. Fees and penalties

The fee model mainly consists of an annual membership contribution, a variable clearing fee and a settlement fee.

The annual membership contribution has a fixed monthly element per ICM, GCM and NCM.

The clearing fee is a monthly volume-based tariff that applies to clearing transactions (on a gross basis, i.e. before any netting). The clearing volumes of different trading relations are bundled with SIX x-clear provided that they belong to the same legal entity and/or holding company. The SIX x-clear group volume is applicable where the combined group volume defines the prices on a step-scale.

The average price applies to all members of the group.

The settlement fee is a fixed transaction fee per settlement transaction.

The pricelist is available on the website of SIX x-clear.

8.1.1 Penalties

The penalty model applies to all failures to deliver securities (or cash) to SIX x-clear on the intended settlement date, and is designed to be transparent and predictable.

8.1.2 Invoicing

SIX x-clear invoices all fees on a monthly basis within the first three (3) clearing days after the end of the previous calendar month. The payment shall be made within 30 days of the date of the invoice.

This Service Description is for information purposes only. SIX x-clear AG reserves the right to make changes at any time. SIX x-clear AG disclaims all liability for the inaccuracy or incompleteness of the information given therein.

In this context, SIX x-clear AG draws the Members' attention to **clause 7.7, chapter 14 and 15** of the Rulebook of SIX x-clear AG stipulating that the Member is responsible for compliance with the applicable laws (in particular domestic and foreign tax, foreign exchange and stock market regulations as well as with company law and articles of association) with respect to the Clearing services obtained from SIX x-clear AG.

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