# virt-x *compliance*

Newsletter from virt-x's Regulation and Compliance Department
Issue 19

26.02.2008

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We hope you will find this issue of virt-x *compliance* useful. We welcome your comments and suggestions.

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Director of Regulation and Compliance

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# Market Notices

Since the last Compliance Newsletter, Market Notices 26/2007 to 07/2008 inclusive have been issued:

| Market Notice | Date | Content |
|---|---|---|
| 26/2007 | 12.09.2007 | Cornèr Banca SA - additional Member ID |
| 27/2007 | 13.09.2007 | Commerzbank AG, London Branch - transfer of activities to Commerzbank AG, Frankfurt<br><br>Commerzbank AG, Frankfurt - new member |
| 28/2007 | 19.09.2007 | Rules and Directives - confirmation of changes to admit SLI® constituents to trading on virt-x(see below) |
| 29/2007 | 03.10.07 | Rules and Directives for MiFID - confirmation of changes (see below) |
| 30/2007 | 10.10.07 | Christmas and New Year Holidays 2007/08 |
| 31/2007 | 16.10.07 | Flow Traders BV - new member |
| 32/2007 | 18.10.07 | Stop Trading parameter changes |
| 33/2007 | 19.10.07 | Winterflood Securities Limited - deactivation of Member ID |
| 34/2007 | 19.10.07 | TD Waterhouse Investor Services (Europe) Limited - resignation of membership |
| 35/2007 | 23.10.07 | Wegelin & Co. Privatbankiers - additional Member ID |
| 36/2007 | 30.10.07 | MiFID - Clarification of changes to Rules |
| 37/2007 | 13.11.07 | E. Gutzwiller & Cie Banquiers - additional Member ID |
| 38/2007 | 15.11.07 | Winterflood Securities Limited - additional Member ID |
| 39/2007 | 16.11.07 | Privatbank von Graffenried AG- additional Member ID |
| 40/2007 | 16.11.07 | All Options Helvetia AG - new member |
| 41/2007 | 19.11.07 | Van der Moolen Derivatives Limited - resignation as a Reporting Member User |
| 42/2007 | 21.11.07 | Rules and Directives - proposed changes (see below) |
| 43/2007 | 22.11.07 | Reichmuth & Co., Privatbankiers - additional Member ID |
| 44/2007 | 22.11.07 | Susquehanna International Securities Ltd - additional Member ID |
| 45/2007 | 05.12.07 | Wegelin & Co. Privatbankiers - deactivation of Member IDs |
| 46/2007 | 17.12.07 | Kepler Equities, Paris, Zurich Branch - change of name to Landsbanki Kepler, Paris, Zurich Branch. |
| 47/2007 | 19.12.07 | Directive 9 (Fees) - proposed changes (see below) |
| 48/2007 | 19.12.07 | Price Increment reductions on Nordic Pan European shares |
| 49/2007 | 20.12.07 | MainFirst Bank AG - new member |

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|---|---|---|
| 50/2007 | 21.12.07 | Bank Cial (Schweiz) - change of name to Bank CIC (Schweiz) AG |
| 51/2007 | 21.12.07 | Coutts Bank von Ernst AG - change of name to RBS Coutts Bank AG |
| 52/2007 | 27.12.07 | Fimat International Bank SA. (UK Branch) and Calyon Financial SNC – merger |
| 53/2007 | 28.12.07 | Rules and Directives - proposed changes (see below) |
| 01/2008 | 16.01.08 | Citadel Derivatives Group (Europe) Ltd - additional Member ID |
| 02/2008 | 21.01.08 | virt-x Exchange Limited – change of name to SWX Europe Limited on 3 March 2008 |
| 03/2008 | 23.01.08 | Banque Pasche SA - additional Member ID |
| 04/2008 | 31.01.08 | Changes to Directives for ETF migration to Quotematch (see below) |
| 05/2008 | 31.01.08 | De-activation of a number of Members' IDs |
| 06/2008 | 05.02.08 | Changes to Rules & Directives – confirmation of changes for virt-x's new name |
| 07/2008 | 18.02.08 | Market holidays – please see below |

The contents of those Market Notices have been included in standing data or the Rules/ Directives.

All Market Notices are available at www.virt-x.com in the Regulation section.

## Updates to Rules and Directives

The changes to the Rules since Compliance Newsletter 18 have been:

| Market Notices | Rule / section | Summary of changes | Effective date |
|---|---|---|---|
| 28/2007 | Various | Confirmation of changes for the admission to trading on virt-x of the constituents of the SLI Swiss Leader Index® ("SLI®") | 24.09.07 |
| 29/2007 | Various | Confirmation of changes for MiFID:<br>• incorporating the MiFID transparency requirements, including changing the trade reporting deadline to "as close to real time as possible and in any case within 3 minutes"<br>• replacing virt-x's existing ERT and block regime with the standard MiFID deferred and delayed publication regime<br>• introducing new Trade Type Codes<br>• adding criteria for the execution of orders (i.e the existing matching rules) | 01.11.07 |

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| | | • adding processes to ensure issuers' compliance with initial and ongoing/ad hoc disclosure obligations<br>• transferring Pan-European (not Swiss) securities on virt-x's EU Regulated Market to the UK Exchange Regulated Market<br>• introducing criteria for admitting ETFs to trading on virt-x<br>• clarifying the market integrity rules in respect of orders<br>• revising the definition of Negotiated Transaction | |
| 42/2007 | Rule 3.24 | Proposed change: a member making a trade report must flag the deferred publication override where the transaction is not between the member dealing on own account and a client of the member | |
| | Rule 3.35 | Proposed change: a member must notify virt-x immediately of any system failure preventing the member from meeting its trade reporting obligations | |
| 53/2007 | Rules 3.24 and 3.35 | Confirmation of the changes in Market Notice 42/2007 | 28.12.07 |
| 06/2008 | Various | References to "virt-x Exchange Limited" and "virt-x" replaced with "SWX Europe Limited" and "SWX Europe" respectively | 03.03.08 |

The changes to the Directives since Compliance Newsletter 18 have been:

| Market Notices | Directives | Summary of changes | Effective date |
|---|---|---|---|
| 42/2007 | Directive 4 | Proposed reduction in Hidden Order sizes | |
| | Directive 9 | Proposed deletion of the Transaction Reporting Service tariff (the service ceased on 31.10.2007) | |
| | Directive 10 | Proposed inclusion of the aggregate orders and the number of shares at each price level | |
| 47/2007 | Directive 9 | Proposed changes:<br>• each product segment (Swiss equities, Pan-European and ETFs) to have its own scale of trading fees<br>• members to have a choice between two fee scales; a Poster/Aggressor model (Asymmetric) and a Balanced model. (Symmetric), each to comprise a fixed transaction fee and a turnover-related (ad valorem) fee, subject to caps and floors<br>• off order book trades to cost less than order book trades | |

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| | | • when an order is executed in several tranches (partial executions), all tranches of that order on the same trading day to be collated and one transaction fee charged<br>• discount bands to be offered depending on the monthly fee commitment levels<br>• members to initially be able to change commitment levels on a monthly basis<br>• trading turnover to be converted into Swiss Francs on a daily basis. Trading fees to then be calculated and converted to the member's domestic billing currency at month end<br>• ETF Capacity Fees to be introduced when ETFs migrate to the Quotematch platform | |
| 53/2007 | Directives 4, 9 and 10 | Confirmation of changes in Market Notice 42/2007 | Hidden order size changes: 03.01.08<br><br>The other changes: 28.12.07 |
| 04/2008 | Directive 4 | Proposed addition of ETF quote attributes | |
| | Directive 9 | Proposed changes in ETF QPS allocations | |

## Deferred publication

A change to virt-x Rule 3.24 governing deferred publication came into effect on 3 January 2008, formalising a Market Notice in October clarifying the MiFID requirement. Transactions only qualify for deferred publication if they meet a size requirement and are between the member dealing on own account and a client of the member.

virt-x automatically applies the publication delay unless the reporting member applies a deferred publication override flag, known as the "IP flag".

In response to member feedback, we are analysing a possible adaptation to the current regime, *from* ***automatic deferral*** unless a member requests immediate publication using the IP flag, *to* ***automatic deferral*** only for trades flagged with the trading capacity "PR (Principal)" unless a member requests immediate publication using the IP flag.

We will advise members of the outcome of this analysis but in the meantime, we recommend that members do not adapt their internal systems in the near future to automate our current regime.

If you have any comments on the possible change in approach, please let us know.

## Name change

On 3 March 2008, virt-x Exchange Limited will change its legal name to SWX Europe Limited, which will bring about the following changes:

Legal name: SWX Europe Limited

Trading name: SWX Europe

Web address: www.swxeurope.com

Email address: name.surname@swx.com

## Bank holidays

virt-x will be closed for all business on the following dates this year:

- 21 March (Good Friday)
- 24 March (Easter Monday)
- 1 May (May Day and Ascension)
- 12 May (Whit)
- 1 August
- 25 December (Christmas Day)
- 26 December (Boxing Day).

## Topics for Future Compliance Newsletters

We welcome topics for inclusion in future issues of the Compliance Newsletter.

Please contact us with suggestions. Thank you!

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