

Department III

Zurich, 1 June 2010

Instruction sheet on cashless payment transactions

1. Purpose and scope

Part of the Swiss National Bank's mandate is to facilitate and secure the functioning of cashless payment systems and to provide the Swiss franc money market with liquidity. Fulfilling this task requires an efficient and safe payment infrastructure. The Swiss Interbank Clearing (SIC) system serves to process cashless payment transactions. The Swiss National Bank's giro system is used to transfer money to the settlement accounts in the SIC system.

This instruction sheet on cashless payment transactions provides an overview of the giro and SIC systems and the categories of participants admitted. It specifies the associated conditions of participation, in particular the admission criteria and the administrative conditions. The instruction sheet is for information purposes only and is in no way legally binding.

2. Cashless payment transactions

2.1 Giro system

This is a system of sight deposit accounts maintained by the Swiss National Bank (SNB) for its customers in its accounting system. Transfers in connection with direct transactions with the SNB as well as cash deposits and cash withdrawals are settled through the giro system. The SNB's services may be limited to the keeping of a sight deposit account for a counterparty. In this case transactions may be conducted exclusively via the SNB. Counterparties with a high volume of transactions must, as a rule, also participate in the SIC system.

2.2 Swiss Interbank Clearing system

The Swiss Interbank Clearing system is the payment system for banks and other financial market participants in Switzerland. It is operated on behalf of the SNB by SIX Interbank Clearing Ltd. Both large-value and retail payments are settled via the SIC system,

1 June 2010

2

individually and in real time. Payments are settled through the settlement accounts kept in the SIC system. The settlement accounts are fed by the sight deposit account, which means that debit and credit operations take place in central bank money. The SNB oversees the SIC system and also lays down the conditions for participation in the SIC system (cf. section 5). Access to SIC can be provided through a variety of technical solutions (cf. section 5.2).

3. Categories of participants admitted

Categories of participants that make a significant contribution to the fulfilment of the SNB's mandate and do not bring with them any major risks are admitted.

The following categories may, as a rule, participate in the *giro system*:

- Domestic banks within the meaning of the Banking Act and securities dealers within the meaning of the Stock Exchange Act
- Banks set up in accordance with foreign law
- Swiss Post
- FINMA-regulated insurance companies and fund managers that are highly active in the money market
- Domestic cash processing operators without banking status
- Regulated domestic and foreign clearing and settlement companies
- The Federal Administration, the Federal Supreme Court, federal offices and federal institutions that are not a separate legal entity in their own right, and organisations or joint-stock companies of the Confederation that constitute a separate legal entity
- Foreign central banks
- International organisations

The SNB decides on the opening of a sight deposit account. In the fulfilment of its mandate, the SNB is free to open sight deposit accounts for further categories of participants.

Basically, the conditions for *participation in the SIC system* are the existence of a sight deposit account and the fulfilment of all other conditions for participation defined by the SNB and SIX Interbank Clearing Ltd (cf. section 5).

The SNB decides on access to the SIC system and on the exclusion of a participant if the latter no longer fulfils the conditions for participation.

Banks and other financial market participants domiciled in the Principality of Liechtenstein are entitled to open a sight deposit account with the SNB and participate in the SIC system under the same conditions as companies domiciled in Switzerland.

1 June 2010

3

4. Conditions for participation in the giro system

As a rule, the categories of participants admitted to the giro system are as defined in section 3.

4.1 General admission criteria

Participants admitted to the giro system are, in principle, professional operators in the financial markets and are, as institutions, subject to regulatory oversight with regard to the combating of money laundering and combating of terrorism financing.

Participants must meet the technology standards required in the field of payment transactions to be able to place orders and exchange information with the SNB, in particular via SWIFT.

4.2 Special admission criteria

For foreign participants

As a rule, foreign participants must be domiciled in a politically and economically stable country with a political system based on the rule of law, with no economic sanctions imposed on it by Switzerland, and with standards similar to Switzerland's with regard to regulation and institutional oversight.

For insurance companies and fund managers

Insurance companies and fund managers are only admitted to the giro system if they also participate in the repo system and fulfil the provisions of the *Guidelines on Monetary Policy Instruments*.

For foreign clearing and settlement organisations

Clearing and settlement organisations domiciled abroad are admitted to the giro system provided they contribute to the stability of the financial system or to the smooth flow of payment transactions and do not bring with them additional risks. The processing of Swiss franc financial transactions must not suffer any reduction in safety and efficiency as a result.

4.3 Administrative conditions

The conditions set down in the *Declaration of accession* with regard to sight deposit transactions also apply for keeping an account in the giro system. In addition, the SNB's *Terms of Business* are applicable.

The following documents are to be submitted to the SNB:

1. Valid Commercial Register extract
2. List of authorised signatories
3. Authorisation by FINMA or confirmation of authorisation by a foreign supervisory body, to the extent that the participant is subject to regulatory oversight.

1 June 2010

4

After receipt and assessment of the documents, the SNB sends the applicant a *Declaration of accession* with regard to sight deposit transactions to be signed.

5. Conditions for participation in the SIC system

5.1 Admission criteria

A sight deposit account with the SNB is a precondition for participation in the SIC system, in accordance with the provisions of section 4.

Participants must have an appropriate internal organisation and conduct business in a professional manner. They must have the requisite knowledge of how the SIC system functions, ensure professional liquidity management and fulfil the requirements of SIC-specific crisis management, thus contributing to the smooth functioning of Swiss franc payment transactions. Participants must always be in a position to fulfil the technical and administrative obligations arising, in particular, out of the SIC giro agreement and the associated SIC manuals, technical directives and regulations.

They must have the technical interfaces to the SIC system that are necessary to enter orders in the system and to receive information from the system.

5.2 Connection types

The technical requirements for participation in the SIC system vary according to the type of technical connection.

Participation via SIC platform interface

Participants can connect via the SIX Group's proprietary communication network (Finance IPNet). The connection can be maintained by the financial institution or, alternatively, effected via a provider. The SIC participant themselves, and not a third party computer center or service office, is regarded as the contractual SIC partner.

Participation via remoteGATE

Participants can connect via SWIFT FIN. With this option, messages are entered and received via the SWIFT network. SIX Interbank Clearing Ltd also provides the Web application remoteGATE which is required for queries of SIC payment transactions and account balances (Online-Cash-Management) via the Internet.

Participation without technical connection

For historical reasons, the SNB itself, as an exception, manages the participant's settlement accounts. Only Eurex and SECOM transactions, cover purchases and interbank payments for liquidity management are admissible via these accounts. Communication between the participant and the SNB is based on the provisions specified by the SNB.

1 June 2010

5

5.3 Administrative conditions

Participation in the SIC system is based on bilateral agreements. In addition, the SNB's *Terms of Business* are applicable. The provisions of the SIC giro agreement with the SNB and the SIC supplementary agreement with SIX Interbank Clearing Ltd apply with regard to account management. These agreements are supplemented by the SIC user manual and the *Technical Rules*.

The following documents are to be submitted to the SNB:

1. Documents for participation in the giro system in accordance with section 4.3
2. Signed SIC giro agreement with the SNB in triplicate
3. Signed SIC supplementary agreement with SIX Interbank Clearing Ltd
4. Participants with a connection via remoteGATE must sign up to the agreement with SIX Interbank Clearing Ltd on participation in the SWIFT Closed User Group.

6. Contacts

Applications to join the giro and SIC systems are to be addressed to:

Swiss National Bank
Department III
Börsenstrasse 15
CH-8022 Zurich