INFORMATION STATEMENT PURSUANT TO ART. 15 SFTR

Information statement under Article 15 of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on the transparency of securities financing transactions, and the re-use and amending Regulation (EU) No. 648/2012

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CC&G
A EURONEXT COMPANY

1.1 Introduction

This information statement aims to provide a summary on the compliance with the requirements set out under Article 15 of European Regulation No. 2015/2365 of the European Parliament and of the Council of 25 November 2015 on the transparency of securities financing transactions, and re-use in relation to financial instruments paid by the participants of Cassa di Compensazione e Garanzia S.p.A. ("CC&G") to guarantee the obligations assumed towards the CCP (the "SFT Regulation"). This information statement is not intended to be, and should not be relied upon as, legal, financial, tax, accounting or other advice.

1.2 European Regulation No. 2015/2365

The SFT Regulation has the objective of increasing transparency with regard to the performance of financing transactions such as, but not limited to, securities lending transactions, sale and repurchase or margin lending transactions. This Regulation sets out reporting obligations to be carried out by the counterparties of the transactions to a trade repository as well as specific provisions on transparency in case of financial instruments re-use.

With particular reference to the re-use of financial instruments, Article 15 of SFT Regulation allows the performance of transactions that include re-use of securities received under a collateral arrangement, which is concluded under the form of a title transfer collateral arrangement or providing a right of use of collateral under a security collateral arrangement in accordance with Article 5 of Directive 2002/47/EC under the following terms:

1. the prior information in writing by the receiving counterparty to the providing counterparty of the risks and consequences inherent:

   i) the re-use of a collateral provided under a security collateral arrangement in accordance with Article 5 of Directive 2002/47/EC; or

   ii) the conclusion of a title transfer arrangement.

   The above information should at least include the illustration of the risks and the consequences that might arise in case of default of the receiving counterparty;

2. the prior consent in writing evidenced by a signature of the providing counterparty to a security collateral arrangement or the express acceptance to provide collateral by way of a title transfer collateral arrangement.

Article 15 of the SFT Regulation applies from 13 July 2016, also in relation to collateral arrangements existing at that date.

1.3 Information under article 15 of SFT Regulation

A summary is set out below with reference to the compliance with the requirements under Article 15 of SFT Regulation in relation to financial instruments deposited by CC&G's clearing members as a guarantee of the obligations assumed towards the CCP.

CC&G undertakes the role of central counterparty via-à-vis the General Clearing Members and Individual Clearing Members (the "*Clearing Members*") to the system. Clearing Members shall perform the obligations towards CC&G, including the payment of margins, arising from transactions carried out on their own behalf and from transactions on behalf of their clients, and in the case of General Clearing Members, from transactions by their Non-Clearing Members. In this regard, the Clearing Members carry out their payments made to the system by way of margin or contributions to the default fund, in accordance with Articles 41 and 42 of Regulation (EU) No. 648/2012 (the "*EMIR Regulation*").

The relationships between CC&G and Clearing Members pertaining to the provision of CCP services are governed by the general conditions of contract prepared by CC&G in accordance with articles 1341 and 1342 of the Italian Civil Code. These general conditions, which are represented by the CC&G Rules, the Instructions and Annexes and the General Conditions for the provision of services that Participants accept by signing the service request are deemed to be known and accepted in writing by Clearing Members.

The financial instruments transferred by the Clearing Members to CC&G by way of margin, in accordance with Articles 41 and 42 of the EMIR Regulation are transferred to the central counterparty under the form of transfer of ownership of financial assets as collateral contract pursuant to legislative decree 21 May 2004 n. 170. In this regard, CC&G Rules provide that "*all sums and the Financial Instruments deposited by Members or however available to CC&G, as a guarantee of Members' obligations to CC&G, including where they temporarily exceed the required Margins and payments to Default Funds are title transferred to CC&G pursuant and for the effect of the Legislative Decree 21 May 2004 no. 170* " (see Article A.1.1.5 of the CC&G Rules). With respect to financial collateral acquired by the CCP, it shall be noted that Article 70 of Legislative Decree n. 58 of 1998 (the "*Consolidated Financial Law*") grants a special protection to the assets acquired by a central counterparty as a guarantee for fulfilling the obligations arising from the clearing activity in accordance with the provisions of the EMIR Regulation. Article 70 of the Consolidated Financial Law provides, in fact, that "*the margins and other assets acquired by a central counterparty as a guarantee for fulfilling the obligations arising from the clearing activity in favour of its participants cannot be subject to enforcement or cautionary actions by creditors of the participant or the operator managing the central counterparty, even in case of opening of insolvency proceedings. The guarantees obtained shall be used solely in accordance with Regulation (EU) No. 648/2012* ".

The title transfer collateral arrangement, governed by articles 5 and 6 of Legislative Decree No. 170/2994 implementing Directive 2002/47/EC, provides that those contracts have effect in accordance with the terms provided therein. The title transfer collateral arrangement provides that the collateral provider transfers full ownership of the collateral to the collateral taker granting to it the power to dispose

of financial assets, without prejudice to the obligation of the collateral receiver to reconstitute equivalent collateral in order to replace the original guarantee by the date of the guaranteed financial obligation.

The said power of disposal conferred to the collateral receiver includes, for example, the right to use those financial instruments in the context of transactions carried out with the central bank in order to obtain liquidity in connection with the procedures governed by the Eurosystem. It should be noted in this regard that CC&G has not exercised the right of disposal of the financial instruments so far, which remain deposited with the securities accounts held by CC&G with the Centralised Depository Service (as defined by the CC&G Rules) in accordance with Article 47 of the EMIR Regulation.

In this regard, we provide the following information in relation to the risks and general consequences that may result in the conclusion of a title transfer collateral arrangement.

1.4 Information on risks and consequences borne by the collateral provider under a title transfer collateral arrangement

With reference to the financial instruments deposited by the Clearing Members to CC&G by way of margin under a title transfer collateral arrangement, attention shall be drawn to the following risks and consequences borne by the collateral provider (which are illustrated by way of example and not in an exhaustive manner):

i. the rights of the collateral provider, including any proprietary rights in connection to those financial instruments will be replaced by an unsecured contractual claim for delivery of equivalent financial instruments subject to the terms of the relevant collateral arrangement;

ii. the financial instruments of the collateral provider will be held through the securities accounts held by CC&G with the Centralized Depositary Service as defined in CC&G Rules (as illustrated in the section named *Account keeping in the context of the centralised depositary system and insolvency of the central securities depository*);

iii. in the event of insolvency or default by CC&G the provisions of CC&G Rules will apply (as specified below under the section named *default of insolvency of CC&G*);

iv. due to the transfer of financial instruments under a title transfer financial collateral arrangement the collateral provider will not be entitled to exercise any voting, consent or similar rights attached to the financial instruments, upon return of the financial instruments on maturity of the guaranteed obligation;

v. CC&G will have no obligations to provide any information required regarding events or corporate actions in relation to such financial instruments;

vi. the collateral provider will not be entitled to receive any dividend, coupon or other payment, interest due or right in relation to such financial instruments until the moment of return of financial instruments to financial maturity of the guaranteed obligation;

vii. the provision to CC&G of a title transfer collateral may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by the collateral provider or by us for your account of those financial instruments;

viii. if the collateral provider is entitled to receive a manufactured payment, the tax treatment may differ from the tax treatment applied in respect of the original dividend, coupon or other original payment in relation to those financial instruments.

1.5 Default of insolvency of CC&G

CC&G Rules set forth the consequences of a default by the central counterparty with respect to other participants in the system. In particular, CC&G Rules consider the central counterparty in default in following two instances: (a) in case of non fulfillment or or partial fulfillment by CC&G of the obligation to make a payment or delivery in respect of a Clearing Member under any Contractual Position, where such failure has not been cured within 30 days from the date on which the payment obligation or delivery fell due; or (b) in the event and at the time at which CC&G becomes subject to insolvency procedure pursuant to Article 83, paragraph 2, of the Consolidated Financial Law.

It shall be pointed out that Article 69-*bis* of the Consolidated Financial Law refers with reference to crisis procedures for CCPs, to the application of Article 83 of the Consolidated Financial Law which in relation to the insolvency of a CCP extends the discipline of the compulsory liquidation procedure applicable to credit institutions under Article 80 et seq. of Legislative Decree No. 385/1993 (the "*Consolidated Banking Law*").

CC&G Rules provide that where any one of the above cases of CC&G default occurs starting from the Close-Out Date, the Non-Defaulting Clearing Member determines the Close-Out Amount, based on: (a) total loss or total gain in respect of each Contractual Position; and (b) the value of any other amount which it owes to CC&G or CC&G owes to it, in each case whether future, liquidated or unliquidated. The calculation referred to in subparagraphs a) and b) shall be undertaken separately in respect of: (i) the "house account"; (Ii) each "client omnibus account"; and (iii) each "segregated client account", under Section B.3.1.2 of the CC&G Rules. In relation to the consequences of default by CC&G with reference to the margins posted to CC&G, CC&G Rules provide that the Non-Defaulting Clearing Member determines the amount of margins which, at the Close-Out Date, CC&G shall return at the same Clearing Member in accordance with CC&G Rules (see article B.6.2.2-*ter* of the CC&G Rules.

1.6 Protection levels associated with different levels of segregation of positions and assets deposited with the accounts opened at CC&G

In accordance with Article 39 of the EMIR Regulation and as illustrated in the document published by CC&G in 2014 named "*Protection levels associated with different levels of segregation*", CC&G enables Clearing Members to record positions and collateral in the following segregated accounts held at the CCP:

i. a "house" account dedicated to the recording of the positions and collateral related to the Clearing Member account. The recording of the positions and collateral in the house account of the Clearing Member allows, at any time and without delay to distinguish the positions and collateral both from those recorded in third party accounts (omnibus and segregated) and from the accounts of the Clearing Member itself, and from those recorded in in the accounts of other Clearing Members, both from those of CC&G.

ii. "third party omnibus accounts" dedicated to the recording of positions and collateral of customers and/or indirect clearing members. In more detail:
   - an omnibus account ("MOA" account), automatically opened by CC&G at the time of the Clearing Member membership;
   - additional omnibus accounts ("AOA" accounts), opened at the request of the Clearing Member and dedicated to segregated recording of positions and collateral of customer groups and/or non-clearing members.

   The recording of the positions and collateral in a MOA or AOA account of the Clearing Member allows, at any time and without delay to distinguish the positions and collateral both from those recorded in the house account and in the other AOA and ISA accounts of the same Clearing Member, both from those recorded in the accounts of the other Clearing Members, both from those of CC&G.

iii. individual segregated accounts ("ISA" accounts) that may be opened at request of the Clearing Member and dedicated to the recording of positions and collateral of customers or non-clearing members who have opted for individual segregation. The recording of the positions and collateral of a Client in an ISA account allows, at any time and without delay to distinguish the positions and guarantees both from those of the respective Clearing Member, and from those of other Clients of the same Clearing Member, both those registered in the accounts of the other Direct Clearing Members, both from those of CC&G.

1.7 Account keeping in the context of the centralised depositary system and insolvency of the central securities depository

According to Article B.4.3.1 of CC&G Rules and in accordance with Article 47 of the EMIR Regulation, the payment and the return of margins consisting of financial instruments between CC&G and Clearing Members are made through the securities accounts held by CC&G with the central depository service for financial instruments operated by a company authorized to carry out the central depository services pursuant to Article 80 of the Consolidated Financial Law or a foreign entity with whom CC&G has established contractual arrangements for the centralization of financial instruments with the same. These securities accounts are under-recorded on behalf of the Clearing Member and possibly under-recorded on behalf of the customer or the indirect clearing member (see Art. B.3.3.5 of the Instructions to the CC&G Rules) and the financial instruments deposited there are held by Monte Titoli under a *deposito regolare* regime, given that the ownership of the assets remains with CC&G.

In accordance with the provisions of the Consolidated Financial Law regarding the keeping of accounts under the central depository service and with the Monte Titoli CSD Rules, on behalf and at the request of the intermediaries, the management company opens for each intermediary an account to register the financial instruments and any transfer thereof. The intermediary records for each account holder the financial instruments held, their transfer, the rights exercised and restrictions ordered by the holder or in its own burden in separate accounts, separated from each other and with respect to any of the relevant accounts of the intermediary itself. Once registered, the account holder has the full and exclusive entitlement to exercise rights for the securities registered therein according to the legislation specific to each of them (see Title III, Part II of the Consolidated Financial Law).

In addition, Article 38 of Regulation (EU) No. 909/2014 (“CSDR”) provides that for each securities settlement system, the central securities depository (CSD) shall keep records and accounts that shall enable it, at any time and without delay, to segregate, in the accounts at CSD themselves, securities of a participant from those of any other parties, and, where appropriate, by its activities. In particular, the CSD shall keep records and accounts enabling: (i) to each participant to segregate its securities from those of its clients; (ii) to each participant to hold in one securities account, the securities from different clients of such participant (omnibus segregation); and (iii) a participant to segregate the securities of each client of the participant, if and as required by the participant (individual client segregation).

With reference to the case of insolvency of the central securities depository, Article 83 of the Consolidated Financial Law regulates the cases of crisis of the central securities depository, providing that if the company is declared insolvent pursuant to Article 195 of the Italian Bankruptcy Law or its authorisation has been withdrawed, the Ministry of economy and Finance issues a decree ordering the compulsory administrative liquidation of the company with the exception of bankruptcy procedure, according to the provisions of articles 80, paragraphs 3, 4, 5 and 6, 81, 82, 83, 84, with the exception of paragraph 2, and articles 85 to 94 of the Consolidated Banking Law, where compatible.

With respect to the regime applicable to financial instruments deposited with the central depository in case of opening of a compulsory administrative liquidation procedure against the same, Article 91 of the Consolidated Banking Law, with respect to redemption and subdivisions of assets, provides in particular that:

i. the Commissioners proceed with the redemption of assets and the financial instruments in the order established by Article 111 of the Italian Bankruptcy Law and to the distribution of liquidated assets;
ii. where segregation between the assets of the management company from those of the participants recorded in a special section of the statement of liabilities statement has been respected, but not the separation of the assets of these participants with each other or in case the financial instruments are not sufficient for carrying out the redemption in full, the Commissioners shall, whenever possible, proceed with the redemption referred to in point (i) above in proportion to the rights for which each participant was admitted to the separate section of the statement of liabilities, or to the liquidation of relevant financial instruments of the participants and the distribution of proceeds by the same proportion;
iii. where segregation of the assets of the management company from the assets of participants has not been respected, or for the portion of the right which has not been satisfied, the participants recorded in the separate section of the statement of liabilities concur with the unsecured creditors pursuant to Article 111, paragraph 1, No. 3) of the Italian Bankruptcy Law, in full.

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