



**EURONEXT SECURITIES**

# **USER COMMITTEE**

**Terms of Reference 2.0**

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**/ MILAN**

# TABLE OF CONTENTS

- Section 1 - GENERAL PROVISION ..... 3**
  - Article 1 – Regulatory Framework ..... 3
  - Article 2 – Mandate..... 3
- Section 2 - MEMBERSHIP ..... 4**
  - Article 3 – Members of the Committee ..... 4
  - Article 4 – Designated Representatives ..... 5
  - Article 5 – Selection Criteria..... 5
  - Article 6 – Confidentiality ..... 6
  - Article 7 – Conflict of interest..... 7
  - Article 8 – Expenses ..... 8
- Section III – GOVERNANCE ARRANGEMENTS ..... 8**
  - Article 9 – Composition of the Committee ..... 8
  - Article 10 – Independency of the User Committee ..... 9
  - Article 11 – Chairman ..... 9
  - Article 12 – Secretariat ..... 9
  - Article 13 – Submission of the advice to Monte Titoli Board of Directors .....10
- Section IV – Operating Procedures..... 10**
  - Article 14 – Exchange of Information with the User Committee .....10
  - Article 15 – Meetings .....10
  - Article 16 – Vote .....11
  - Article 17 - Minutes .....11
  - Article 18 - Correspondence.....12
  - Article 19 – Review of the Term of Reference .....12

## Section 1 - GENERAL PROVISION

### Article 1 – Regulatory Framework

1. Monte Titoli S.p.A. (or "Monte Titoli") promotes the establishment of a user committee ("User Committee") in compliance with article 28 of the Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 and article 17 of its by-laws.
2. The present document ("Terms of Reference" or "TOR") outlines the governance arrangements and the operating procedures related to the functioning of the User Committee.
3. The TOR of the User Committee and list of its Members are made public on the Company's web site.

### Article 2 – Mandate

1. The User Committee shall advise Monte Titoli Board of Directors on, key arrangements that impact on issuers and participants to the Central Depository and Settlement Services (or "Core Services"), such as:
  - a) criteria for the admission, suspension, exclusion for issuers and participants;;
  - b) penalty mechanism of the Settlement Service;
  - c) procedures for managing the default of a participant to the Core Services;
  - d) service levels of the settlement service as long as provided and to the extent allowed by the T2S Framework Agreement. ;
2. The User Committee shall advice in the interest of the sound and efficient management of the Core Services and shall promote strategic market-wide views.
3. Detailed technical and operational matters are not included in the mandate of the User Committee and shall be dealt within the technical committees organized by the Company ("Post-Trade Participants Committees").
4. The User Committee may submit to the Board non-binding opinions on pricing structure and on significant priorities concerning service enhancements and/or harmonisation practices to be established to serve the Italian market.
5. According to article 87 of Regulation (EU) no. 392/ 2017, the User Committee may express a demand for the use of delivery versus payment (DVP) settlement in the context of a link between Monte Titoli and another CSD.
6. Decisions concerning daily management of the Core Services shall not be subject to any scrutiny by the User Committee.

## Section 2 - MEMBERSHIP

### Article 3 – Members of the Committee

1. The User Committee shall be composed as follows:
  - a) three (3) Members representing issuers;
  - b) six (6) Members representing participants;
2. Members representing each category are selected according to the criteria set out in Article 5. Monte Titoli notifies in written the outcome of the selection process to each selected issuer and participant individually.
3. Issuers and participant shall accept their appointment within 30 (thirty) days after they receive the communication referred to in paragraph 2. By accepting their appointment as Members of the User Committee the selected issuers or participants:
  - a) acknowledge and accept the TOR of the User Committee;
  - b) undertake to act fairly and to cooperate to the well functioning of the User Committee;
  - c) state to be aware that according to competition law great care needs to be taken when having any contact with competitors, including at industry forums such as the User Committee and that their Designated representative have received proper training in this regard;
  - d) commit to abstain from discussing competitively sensitive information in the context of the User Committee or any associated gatherings/discussions;
  - e) consider the efficient and sound management of the Core Services as well as the needs of their customers and of their own organisations when responding to the points discussed in the context of the User Committee;
  - f) commit to abstain from discussing issues outside the agenda items;
  - g) acknowledge the confidentiality of all the information, documents and data acquired as a consequence of the membership of the User Committee and undertake the related non disclosure obligation according to article 6;
  - h) commit to abstain from using such information in their own interest or in the interest of third parties in any transaction;
  - i) assess and declare the existence of any conflict of interest according to article 7 of this TOR and undertake the obligation of abstaining from voting on such matter;
  - j) delegate an independent Designated Representative to sit in the Committee on their behalf according to article 4 and 10.
4. The acceptance of the appointment as Member of User Committee shall be notified in written to Monte Titoli using the template referred to in Annex 1. The acceptance shall be signed by the legal representative of the issuer or of the participant.

5. In case of refusal of a Member to be part of the User Committee for any reason a new one is selected among other entities selected for representing the same category of members according to article 5.
6. Members will be in charge for 3 (three) years. In case of substitution the new Members will be in charge until the expiration date of the User Committee.
7. If a participant is excluded from a Core Service, it immediately loses its status as Member of the User Committee. In this case a new Member shall be selected among other entities selected for representing the same category of participants according to article 5.
8. If a participant is suspended from a Core Service it is immediately suspended from its status as Member of the User Committee.

## Article 4 – Designated Representatives

1. Each Member of the User Committee shall delegate a Designated Representative to act on their behalf in the User Committee. The assignment of each designated representative shall be communicated in written to the Chairman and to the Secretariat using the template referred to in Annex 2.
2. The Designated Representative shall be a person of proven experience in the post-trading field and who has been covering senior management functions for at least 5 (five) years.
3. The Designated Representative shall meet the independency requirements set out under Article 10. For this purpose each Member shall notify the Company the name of the Designated Representative together with its curriculum vitae.
4. The Designated Representative shall attend each meeting of the User Committee. In case a Designated Representative is not able to attend for serious reasons the Member shall notify them to the Company through the Secretariat.
5. In case the Designated Representative cannot hold its position in the User Committee for whatever reason, the Member shall revoke without undue delay its assignment and notify this in written to the Chairman and to the Secretariat. The Member shall appoint a new Designated Representative within 30 (thirty) days and notify the assignment in written to the Chairman and the Secretariat using the templated referred to in Annex 2.
6. Members shall be liable for any actual behaviour of their designated representative in breach of any provision of this Terms of Reference as well as of any other applicable regulation related to the functioning of the User Committee.

## Article 5 – Selection Criteria

1. Members representing issuers are selected according to the following criteria:
  - a) two (2) Members shall be drawn among the 10 (ten) FTSE MIB 40 companies other than participants, with the highest amount of shares valued at market price of the

last day of the previous month issued in Monte Titoli as determined in accordance with article 7 of Regulation (EU) no. 389/2017;

- b) one (1) Member shall be drawn among the 10 (ten) non FTSE MIB 40 companies other than participants and issuers selected according to a), with the highest amount of financial instruments issued in Monte Titoli and determined in accordance with article 7 of Regulation (EU) no. 389/2017; the amount of financial instruments is calculated at market price of the last day of the previous month for shares and at nominal value for bonds
2. Members representing Participants are selected as follows:
    - a) three (3) Members shall be drawn among the 10 (ten) DCPs with the highest volumes (number) of settlement instructions with reference to the previous quarter;
    - b) three (3) Members shall be drawn among the 10 (ten) ICP with the highest volumes (number) of settlement instructions with reference to the previous quarter.
  3. Participants who are subsidiaries – according to article 2 (par. 10) and 22 of Directive 2013/34/EU – of Members which have resulted from the selection set forth under paragraphs 1 and 2, cannot be selected.
  4. Other CSDs are not allowed to participate in the User Committee pursuant to article 52 (2) of Regulation (EU) no. 392/2017 or entities of Euronext Group

The 4 lists of candidates are presented in alphabetical order by the Secretary to the first available clients working group meeting to be drawn.

After the list is drawn the secretary will communicate to the members their appointment within the timeframe of the TOR.

In case of refusal the same list will be used for the selection of a new member. The draw will be done by the Chairman and the Secretary.

In case of substitution of a member during the 3 years term of the User Committee the list of candidates (1 to 4 above) will be updated accordingly and will not include the member that have resigned.

## Article 6 – Confidentiality

1. For the purpose of this TOR, confidential information shall include information obtained in connection with the exercise of the role of Member of the User Committee which is designated as confidential or which is otherwise clearly confidential in nature including all and any technical, regulatory, commercial or product information including - without limitation business and marketing plans - client and product development plans, forecasts, financial and operational information, trade secrets, inventions, intellectual property rights, data processes and flows, file layouts, specifications, drawings, designs, computer software, know-how, contractual arrangements, future plans, reports and any material bearing or incorporating such information, disclosed by the Company or between or on behalf of Members of the User Committee either orally or

in tangible or visible or machine readable form, including without limitation, any discussions undertaken in the User Committee ("Confidential Information"). .

2. By accepting their appointment, Members and their Designated Representatives are bound to keep strictly confidential any Confidential Information during the entire period of their mandate and successively for a period of 5 (five) years unless such information has been already made public by the Company or it is in the public domain.
3. Members and their Designated Representatives shall not disclose any Confidential Information to any person or body other than employees, Members of the board of directors, and legal and financial advisers of the Member and its group who are directly involved in evaluating, developing, offering or selling, supplying, or administrating the topics subject matter of the discussion taking place, from time to time, in the User Committee.
4. Members and their Designated Representatives shall hold Confidential Information in confidence and not disclose it to any third party (with the exception mentioned in the paragraph above) and to use its best efforts to protect it in accordance with the same degree of care with which it protects its own confidential information of same importance which it does not wish to disclose.
5. Members and their Designated Representative shall use the Confidential Information only in relation to the exercise of their role. They must not use any information they became aware of during the exercise of their mandate:
  - a) for their own purposes or for the purposes of third parties;
  - b) to advise third parties regarding any transaction or induce anyone to carry out transactions on the basis of the aforesaid information.
6. In case of breaches of the confidentiality duty referred to in this article, the Member shall be dismissed from its position and a new one is selected applying criteria set out in article 5 among those that were excluded from the former selection within the same category. New Members will be in charge until the expiration date of the User Committee.
7. Members and their Designated Representatives shall be aware that competition law requires great care when having any contact with competitors, including at industry forums such as the User Committee. Therefore Members and the respective Designated Representatives are asked:
  - a) to remind themselves of the competition compliance training they have received from the organisation they represent;
  - b) not to discuss competitively sensitive information at the User Committee or any associated gatherings/discussions;
  - c) to consider the needs of their customers, as well as their own organisation's when responding to the points on the agenda; and
  - d) not to discuss issues outside the agenda items.

## Article 7 – Conflict of interest

1. Prior to the beginning of each meeting, each Designated Representative shall disclose to the User Committee any interest he/she may have on its own behalf or on behalf of

the Member or of third parties which is conflicting, even potentially, with the sound and efficient management of the Core Services and with any the specific item including in the agenda. The Designated Representative shall specify the nature, the terms, the origin and the scope of such interest.

2. Where the Chairman, based on the aforementioned declaration or on other available information, determines that a Member has an actual or a potential conflict of interest in relation to a particular matter, that Member and their Designated Representatives shall abstain from discussions and from voting on that matter.
3. Declaration of the existence of a possible or actual conflict of interest shall be reported in the minutes.
4. In case of breaches of the disclosure obligation referred to in this article by the Member and/or its Designated Representative, the Member shall be dismissed from its position and a new one is selected applying criteria set out in article 5 among those that were excluded from the former selection within the same category. New Members will be in charge until the expiration date of the User Committee.

## Article 8 – Expenses

1. Membership in the User Committee shall not entail any right to reimbursement of expenses incurred in connection to participation in the User Committee itself and to its activities.

## Section III – GOVERNANCE ARRANGEMENTS

### Article 9 – Composition of the Committee

1. The User Committee is composed by:
  - a. Members, in person or their Designated representatives;
  - b. Committee Secretary, appointed by the Company;
  - c. Observers, who could be Monte Titoli or other Euronext Group companies staff who attend meetings of the User Committee upon request of the Chairman;
2. The Secretary and the Observers are bound to confidentiality duty sets out in article 6.
3. The final composition of the User Committee is published on Company website and notified to Competent Authorities duly in advance of the first meeting.



## Article 10 – Independency of the User Committee

1. The Chairman and the Designated Representative shall be independent from the management of the Company. To this end the Chairman and Designated Representatives shall not have any business, family or other relationship with any executive members of the Board of Directors of Monte Titoli or with any senior manager of the Company which may give rise to a potential conflict of interest with the mandate of the User Committee at the time of their appointment and during the preceding five years. For this purpose the Member and its Designated Representative shall sign the declaration set forth in Article 3.
2. The Chairman and the Designated Representatives cannot be members of Monte Titoli Board of Directors.
3. The Chairman shall not have been a member neither of Monte Titoli Board of Director or of other participants to Core Services for the preceding five years.
4. In case any Designated Representative does no longer meet the above independency requirements, for whatever reason, it shall resign immediately by a written communication to the Chairman. In this case a new Designated Representative shall be appointed by the Member within 30 days days.

## Article 11 – Chairman

1. The Chairman shall have knowledge and experience of the post-trading industry, the seniority to promote strategic market-wide views and the capacity to achieve consensus decision to reflect the views of all market stakeholders.
2. The Chairman is chosen by the Members through an open vote expressed by the majority of the Designated Representative held at the first meeting of the User Committee. The appointment of the Chairman is recorded in the minutes..
3. In case of absence or impediments of the Chairman the chairmanship of the User Committee shall be assigned to the oldest Designated Representative.
4. The Chairman represents the User Committee vis-à-vis the Company, submits its advice and opinions to Monte Titoli Board of Directors. The Chairman is in charge of leading the meeting, coordinating the activities, ensuring the observance of the rules and procedures for the functioning of the User Committee outlined in the present TOR.

## Article 12 – Secretariat

1. The Company shall appoint a Secretary among one of their senior employees. The Secretary shall provide activities supporting the operations of the User Committee:
  - a) organizes the meeting facilities
  - b) prepares a draft of the agenda under the coordination of the Chairman;
  - c) conveys the User Committee meetings upon request of the Chairman through the sending of the agenda and of the relevant documentation.;

- d) attends all User Committee meetings;
- e) prepares minutes of all User Committee meeting.

## Article 13 – Submission of the advice to Monte Titoli Board of Directors

1. The non binding advice and opinions referred to in article 2 shall be signed by the Chairman and approved by the User Committee before being sent to the Company Board of Directors.
2. Whenever the Board decides not to follow the received advice, the Company will promptly inform the User Committee. The same information will be provided to the Authorities.
3. On a yearly basis a report on the activity of the User Committee is presented to the company Board of Directors

## Section IV – Operating Procedures

### Article 14 – Exchange of Information with the User Committee

1. Monte Titoli will communicate to the User Committee the Board of Directors meeting calendar and any subsequent amendment.
2. For the purpose of issuing the advice provided for in Article 2, the User Committee receives the relevant documentation prepared by the Company at least 7 (seven) days before the meeting. Such documentation shall be subject to the confidentiality obligations set out in Article 6.
3. Where relevant, Monte Titoli also makes available to the User Committee the excerpts outcomes of audit findings related the following items:
  - Business Continuity arrangements;
  - Reconciliation procedures;
  - Review of IT processes;
  - Membership arrangements;
4. Monte Titoli reports yearly on the performance of the settlement service.

### Article 15 – Meetings

1. The User Committee meets at least once a year and any time it has to deliver the advice referred to in article 2(1). Additional Meetings can be held when deemed

necessary upon Monte Titoli proposal or upon a request of the Chairman or of least three (3) Members of the User Committee.

2. The User Committee shall be convened at the Monte Titoli premises at Palazzo Mezzanotte, Piazza degli Affari 6, Milano or at the venue specified in the call of the meeting, from time to time.
3. Meetings are convened through a notice sent by e-mail, letter, telegram, telex, fax or other means allowing the proof of receipt. The notice shall indicate the agenda and must be sent at least 15 (fifteen ) calendar days before the meeting date unless in case of urgency.
4. The date of the meetings of the User Committee is decided by the Chairman in agreement with Monte Titoli taking into account the meeting calendar of the Board of Directors.
5. The list of the items to be included in the agenda is decided by the Chairman based on the contributions coming from the Company or single Members within the deadline decided by the Chairman.
6. Designated Representatives may join the meetings in person or via teleconference or videoconference provided that such tools enable Designated Representative to be identified, to intervene and vote during the meeting.
7. The User Committee meetings are effectively held when at least the majority of the Member are present. Designated Representatives shall notify timely to the Chairman and the Secretariat in advance of the scheduled date where they prefer to join in person or via teleconference/videoconference, for organizational reasons.

## Article 16 – Vote

1. Only the Chairman and Designated Representatives can express their vote in meetings. Voting is not permitted to Observers invited from time to time depending on the items of the agenda. One single vote per attending Designated Representative is allowed. Voting by proxy is not allowed.
2. The vote of the majority of Members is required to submit advice to the Board of Directors.
3. The vote of the majority of Members attending the meeting is required to submit non binding opinions to the Board of Directors.

## Article 17 - Minutes

1. Minutes are drafted to report the results of the meeting agenda in terms of the discussed matters and the taken decisions. Individual opinions are recorded upon Designated Representatives explicit request expressed during the meeting.
2. A draft of the minutes is circulated for comments by the Secretariat after the meeting. The final draft prepared under the responsibility of the Chairman is officially approved at the next meeting or, if not feasible and practicable, by e-mail.

3. The final version of the minutes will be kept by the Company for ten years according to article 57 "Business records" of Regulation (EU) no. 392/2017.

## Article 18 - Correspondence

1. All correspondence of the User Committee shall be made via e-mail.
2. The following address shall be used for correspondence from the Members and their Designated Representatives to the Chairman, and to the Secretariat:  
e-mail: **MTsales@euronext.com** All correspondence referred to the Members and their Designated Representative shall be delivered to the address communicated by them.

## Article 19 – Review of the Term of Reference

1. The present Term of Reference is revised by Monte Titoli whenever the need occurs. Members of the User Committee may propose amendments to the governance arrangements described in this TOR and submit them to the Secretariat. The new text is approved by the Board of Directors in case of substantial changes. Non substantial amendments (e.g. references to legal texts, wording adjustments etc.) shall be adopted by the Chief Executive Officer of the Company.
2. The User Committee is informed about the entry into force of such amendments through an email communicating the publication of the new text of the TOR on on the Company's web site.

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