

# SERVICE REGULATIONS

5<sup>th</sup> OCTOBER 2020

*The Italian version of these Rules shall prevail over the English text*



**MONTETITOLI**

A EURONEXT COMPANY

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# PART I – GENERAL PROVISIONS

## TITLE I – LEGAL BASIS AND GENERAL PRINCIPLES

### Article 1 – Scope of the Regulations

1. These Regulations govern the organisation and operation of the services performed by Monte Titoli as the central securities depository authorised in accordance with European Regulation (EU) No. 909/2014 and the related implementing provisions.
2. In particular, these Regulations establish:
  - a) the requirements to access the services;
  - b) the conditions and means of the admission of financial instruments;
  - c) the obligations of entities that have access to the services;
  - d) the conditions and procedures for the suspension and exclusion of entities that use the services;
  - e) the conditions and methods of performance of the individual services;
3. These Rules have been adopted by the Board of Directors of Monte Titoli and approved by Consob by agreement with the Banca d'Italia [Bank of Italy] in accordance with Article 79-*quinquiesdecies* of the Consolidated Law on Finance and European Regulation (EU) No. 909/2014 and the related implementing provisions.
4. The Service Instructions form part of these Regulations and contain the relevant implementing provisions. The rules for an individual service may specifically refer to other Operating Documents that form an integral part of these Regulations.
5. These Regulations and the relevant Instructions are published on the Monte Titoli website. The Operating Documents shall be provided to the entities accessing the services in accordance with the terms and conditions set out in these Regulations.

### Article 2 – Organisational principles and risk limitation provisions

1. Monte Titoli provides the services indicated in these Regulations in accordance with transparent and non-discriminatory rules and on the basis of generally-defined principles and procedures, which are aimed at mitigating the operating and financial risks associated with the provision of basic services in accordance with Article 36 of European Regulation (EU) No. 909/2014 and are consistent with the international standards applicable to market infrastructure.
2. The rules and procedures indicated in paragraph 1 permit free access to the basic services and to the market infrastructure to entities that request such access and meet the prerequisites set out in these Regulations and

the applicable Italian and European Union rules, in accordance with Articles 33, 49, 52 and 53 of European Regulation (EU) No. 909/2014 and the related implementing regulations.

3. In accordance with the applicable Italian laws and regulations, European Regulation (EU) No. 909/2014 and its implementing regulations, and in accordance with the international standards applicable to market infrastructure, Monte Titoli has implemented the following organisational measures:
  - robust mechanisms for corporate governance, including effective procedures for the identification, management, and monitoring of risks;
  - IT and organisational tools, including internal control systems, which offer protection and physical and logical security for the data concerning the services rendered, as well as the continuity and correctness of the data processing;
  - disaster recovery, re-activation and restoration procedures for data processing, to ensure continuity of service;
  - procedures and systems assuring the integrity and confidentiality of the data relating to the operations of the services offered and the retention thereof for a period of ten years;
  - organisational and maintenance procedures to protect the financial instruments and, in particular, against the risks of damage arising from theft, burglary, fire, destruction or loss of financial instruments, where such events take place on company premises or during transportation from the said premises.
4. To ensure the smooth and continuous provision of services, Monte Titoli shall continuously monitor current data processing and shall provide service support to participants whenever they need information.
5. As necessary or in urgent circumstances, Monte Titoli may adopt temporary measures – including those not allowed under these Regulations – affecting service operations to guarantee the proper performance and integrity of those services, on condition that the Authorities be notified in advance.

### **Article 3 - Essential elements of contracts between Monte Titoli and entities accessing the services**

1. Relations between Monte Titoli and the entities accessing the services are governed by the general contractual terms and conditions laid down by Monte Titoli in accordance with Articles 1341 and 1342 of the Italian Civil Code. The said general terms and conditions consist of these Regulations, the Instructions, the Operating Documents and the General Terms and Conditions for the Provision of Services, including the Appendices thereto, which entities using the services shall be deemed to have accepted by signing the application for services.
2. Contracts between Monte Titoli and the entities accessing the services shall govern the following, inter alia:

- a) the duration of the contract and the methods and timeframes of withdrawal;
  - b) the procedures used by Monte Titoli to send communications to the entities accessing the services;
  - c) the rules for amending the general terms and conditions;
  - d) the liability of Monte Titoli;
  - e) the fees for the services;
  - f) the rules for dispute resolution.
3. Should ancillary services be offered to entities not accessing the basic services, relations between Monte Titoli and the said entities shall be governed by specific service agreements, which shall include the provisions of these Regulations and those of the Instructions applicable from time to time to individual services.
  4. Entities accessing the services shall pay fees for that purpose.
  5. In accordance with Article 34 of European Regulation (EU) No. 909/2014, the fees for the basic services shall be determined in accordance with the transparency and non-discrimination criteria laid down in the pricing policy, available on the Monte Titoli website. The amounts and terms of payment of fees for the basic services are set out in the Price List, published on the Monte Titoli website.
  6. With regard to the receivables gradually accrued from the entities accessing the services, Monte Titoli may exercise its right to retain the securities in the account of the entities accessing the services and their values, up to the amount of the receivable accrued. The procedures for exercising the right of retention are laid down in the Instructions.

#### **Article 4 – Definitions**

1. The following definitions shall apply to these Regulations:

“announcement”: means standardised information on corporate events sent by Monte Titoli, on the basis of the indications received, from the Issuer or an Issuer or another central depository. Event Announcements are made exclusively to provide prior notice of corporate events with Monte Titoli being under no obligation to execute the events should the Issuer or another central depository not confirm the said events;

“collecting bank”: means the entity appointed by the Issuer to withdraw the funds deriving from transactions on the capital handled as part of the Corporate Events Support Service;

“paying bank”: means the entity engaged by the Issuer to make the payments ordered by Monte Titoli, handled as part of the Corporate Events Support Service;

“agent bank”: means the entity appointed to carry out cash settlement on behalf of a participant in the Settlement Service;

“service providers”: an entity to whom one or more issuers and/or intermediaries may delegate specific operational functions pertaining to participation in the Notary and Centralised Maintenance Service and



related ancillary services, according to a specific mandate based on the model provided by Monte Titoli;

“collateral”: means the financial instruments admitted to the Settlement Service eligible for autocollateralisation mechanisms, as governed by these Regulations;

“service communications”: means information issued by Monte Titoli to support service operations;

“General Terms and Conditions for the Provision of Services”: means Part I of the General Terms and Conditions pertaining to all services provided by any company belonging to the Borsa Italiana Group, including Monte Titoli, and Part II of the General Terms and Conditions pertaining to specific services provided by Monte Titoli;

“central counterparties”: means the entities specified in Article 2, paragraph 1, of European Regulation (EU) No. 648/2012 (EMIR Regulation) and the Council of 4 July 2012, concerning OTC derivatives, central counterparties and trade data repositories;

“CSDR”: means European Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014, concerning the improvement of securities settlement in the European Union and central securities depositories, and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) 236/2012, as amended, and the related implementing documentation;

“T2S Data”: means Transactional Data<sup>1</sup> and the CSD Static Data<sup>2</sup> as defined in the T2S Framework Agreement;

“DCP”: means Markets, Central Counterparties and the other entities authorised by Monte Titoli and or by other T2S CSDs, to connect directly to the T2S platform<sup>3</sup>;

“Finality Decree”: means Italian Legislative Decree No. 210 of 12 April 2001, laying down the enactment of Directive 98/26/EC on settlement finality in payment and securities settlement systems, as amended;

“Central Securities Depositories (CSDs)”: means entities referred to in Article 2, paragraph 1, point 1, of the European Regulation (EU) No. 909/2014 (CSDR) and of the Council of 23 July 2014, concerning the improvement of securities settlement in the European Union and central securities depositories;

“service notices”: means the operating instructions issued by Monte Titoli,

<sup>1</sup> *Transactional Data: means the information that T2S creates and stores through the execution of a business process event, where the content of the information defines that event. This includes but is not limited to inbound and outbound XML messages, all types of settlement instructions and all data that T2S generates for the life cycle of the instruction (e.g. securities positions) and static data maintenance instructions. This is also referred to as Dynamic Data in the Schedules and in other documentation.*

<sup>2</sup> *CSD Static Data: means the business information, specific to a CSD in T2S that T2S requires to process the Transactional Data related to that CSD. This includes but is not limited to T2S system users, conditional securities parameters, message subscriptions, attribute domains that are specific to the CSD or relevant Central Bank, report subscriptions, securities account reference data, party reference data, cross-CSD settlement parameterisation, assignment of securities accounts to limits, and CSD-specific attributes for Securities Reference Data.*

<sup>3</sup> *DCP: means a T2S User, which has been authorised by its Contracting CSD or Central Bank to access T2S directly to use T2S Services, i.e. without the need for the Contracting CSD to act as a technical interface.*

on the basis of definitive information sent by the Issuer or other central securities depository, relating to each specific event handled as part of the Corporate Events Support Service;

"operating documents": means T2S User requirements issued by the Eurosystem and the other documents containing the technical and functional specifications of the services offered, e.g. Service Manuals and Operating Guides, issued by Monte Titoli or third-party entities engaged by Monte Titoli to provide the services;

"issuers": mean the legal persons participating in the Notary Service and that issue the financial instruments registered in the Monte Titoli accounting records system;

"market infrastructure": means trading platforms, central counterparties and central securities depositories;

"intermediaries": means the entities referred to in Article 79-decies, paragraph 1, letter b) of the Consolidated Law on Finance that participate in the Centralised Maintenance Service;

"Service Instructions": means the instructions for the Settlement Service and associated ancillary services, the Instructions for the Notary and Centralised Maintenance Service and associated ancillary services;

"settlement instructions": means transfer orders related to transactions to be settled within the Settlement System or within the foreign Settlement System; the transfer orders related to the transactions to be settled within the Settlement System are defined as "intra-CSD" settlement instructions when the instructions must be settled between two Participants at Monte Titoli, and "cross-CSD" when the instructions must be settled between a Participant at Monte Titoli that is not a Foreign CSD in T2S, and a participant of another Foreign CSD in T2S;

"automatic collateralisation facilities": means the process that, based on the indications provided to Monte Titoli by Participants, automatically identifies the securities to be used as collateral;

"markets": means the regulated markets and multilateral trading facilities authorised under European Directive 2004/39/EC, as amended;

"DCP participant": means the participant authorised by Monte Titoli to connect directly to the T2S platform, without Monte Titoli acting as a technical interface for the connection to T2S;

"indirect participant": means the entity that enters into an agreement with a participant in the Settlement Service for the settlement of the transactions and which is known to Monte Titoli under the conditions set out in these Regulations;

"participant": means the entity which is a member of the Settlement Service provided by Monte Titoli;

"Price List": means the price schedules published on the Monte Titoli website that contain the detailed fees charged by Monte Titoli for its basic services and the terms and conditions for using them, and the situations in which no fees are payable;

"Post-trading Regulations": means the Measure of 13 August 2018 as

amended – issued by the Bank of Italy and Consob, laying down the regulations for central counterparties, central depositories and centralised management;

“record date”: means the date set by the Issuer on which the ownership of financial instruments and the entitlement to exercise the related rights are verified on the basis of the entries in the accounting system of Monte Titoli or another CSD or intermediary where the financial instruments were initially registered;

“Regulations”: means this document, which governs the services rendered by Monte Titoli and adopted in accordance with Article 79-quinquiesdecies of the Consolidated Law on Finance and European Regulation (EU) No. 909/2014;

“ancillary services”: means services other than the basic services that Monte Titoli performs in accordance with European Regulation (EU) No. 909/2014.

“basic services”: means the Settlement Service and the Notary and Centralized Maintenance Service corresponding to the services referred to in Section A of the Appendix to European Regulation (EU) No. 909/2014;

“Easy Access services”: means the service, included in the category referred to in Section B, point 4), letter d) of the Appendix to European Regulation (EU) No. 909/2014 which permits connection to T2S through a technical interface;

“Tax Services”: means services, referred in Section B(2)(b) of the Annex to the European Regulation (EU) No. 909/2014 or additional ancillary services not explicitly listed in that Annex, relating to the tax aspects of supporting corporate transactions or the application of taxation to financial instruments transactions under Italian or foreign tax law;

“Communications and Notices Management Service (“FIS/CPA Service”)”: means the service included in the category referred to in Section B, point 2), letter a) of the Appendix to European Regulation (EU) No. 909/2014 concerning the work related to the processing and online transmission of communications and notices that the Intermediaries are required to send to the Issuers in accordance with the applicable laws and regulations;

“Financial Instrument Holder Identification Service”: means the service included in the category referred to in Section B, point 2), letter a) of the Appendix to European Regulation (EU) No. 909/2014 whereby Monte Titoli notifies Issuers of the information required to identify the holders of financial instruments or intermediaries holding financial instruments;

“Settlement Service”: means the service referred to in Section A, point 3) of the Appendix to European Regulation (EU) No. 909/2014 operated by Monte Titoli via the T2S platform, for the settlement of transactions on non-derivative financial instruments and which provide for cash settlement in euro or in the other currencies accepted in T2S;

“Notary Service”: means the service referred to in Section A, point 1) of the Appendix to European Regulation (EU) No. 909/2014 concerning the initial registration of the financial instruments in the accounting records system at Monte Titoli upon request from the Issuers;

"External settlement service": means the service included in the category referred to in Section B, point 3 of the Appendix to European Regulation (EU) No. 909/2014 concerning the transmission and settlement of transfer orders to other settlement systems that do not use the T2S platform through accounts opened by Monte Titoli.

"Corporate Events Support Service": means the service included in the category referred to in Section B, point 2), letter b) of the Appendix to European Regulation (EU) No. 909/2014 concerning processing support of corporate transactions relating to financial instrument initially registered at Monte Titoli, in accordance with standardised procedures and on the basis of information provided by the issuers;

"Centralised Maintenance Service": means the service referred to in Section A, point 2) of the Appendix to European Regulation (EU) No. 909/2014, concerning the provision and keeping of securities accounts at a higher level, upon request by entities that are members of the service as intermediaries;

"Service for management of financial instruments through links with other central securities depositories": means the service included in the category referred to in Section B, point 3) of the Appendix to European Regulation (EU) No. 909/2014 which allows the financial instruments initially registered at other central securities depositories to be registered in the accounting records at Monte Titoli. It also allows the management of corporate transactions on the basis of information provided by the central securities depositories or directly by the issuers of those financial instruments;

"Tender offer and public exchange offer subscription collection service ("TA/PEO Service")": means the service included in the category referred to in Section B, point 2), letter b) of the Appendix to the European Regulation (EU) No. 909/2014, concerning—under which Monte Titoli coordinates the collection of subscriptions to tender offers and public exchange offers relating to financial instruments registered in the accounting records system at Monte Titoli;

"Settlement of Client Fees Service ("SCF Service")": means the service included in the category referred to in Section B, point 2), letter d) of the Appendix to European Regulation (EU) No. 909/2014, concerning which permits the reconciliation, control, and settlement of the fees paid by Issuers to intermediaries to provide the personal details of shareholders;

"X-TRM Service": means the service included in the category referred to in Section B, point 1), letter c) of the Appendix to European Regulation (EU) No. 909/2014, concerning the acquisition, transmission and transfer of settlement instructions;

"Information services": means services included in the category referred to in Section B(4)(b) of the Annex to the European Regulation (EU) No 909/2014, which have as their object the supply of information relating to financial instruments or to the functioning of the services;

"Settlement System" or "System": means the Settlement Service;

"TARGET2 System": means the automatic European system for gross

settlement of payments in real time regulated by the European Central Bank's Guideline of 5 December 2012 (ECB/2012/27);

"Market Management Companies": means the companies that organise and manage the markets;

"T2S Framework Agreement" or "FA": means the agreement signed by Monte Titoli and the Eurosystem, including the Appendices thereto, regulating, inter alia, the operations of the T2S platform;

"T2S": means the Eurosystem technological platform, as defined in the T2S Framework Agreement, used by Monte Titoli for the confirmation and settlement of the Settlement Instructions entered in the Settlement Service;

"Consolidated Law on Banking (CLB)": means Italian Legislative Decree No. 385 of 1 September 1993, "Consolidated Law on Banking and Credit" as amended;

"Consolidated Law on Finance (CLF)": means Italian Legislative Decree No. 58 of 24 February 1998, "Consolidated Law on Financial Intermediaries, in accordance with Articles 8 and 21 of Law No. 52 of 6 February 1996" as amended;

## TITLE II – ACCESS TO SERVICES

### Article 5 - Service Access Procedure

1. Entities requesting access to the services shall send the service application form and required documentation to Monte Titoli.
2. During the period between transmission of the service application form and notification of the result of the application:
  - a) applying entities shall inform Monte Titoli of any changes to the information contained in the documentation referred to in paragraph 1 and all new circumstances that may affect compliance with the access requirements;
  - b) Monte Titoli may request additional data and information as necessary to process the access application and for a comprehensive assessment of the operating, financial, and legal risks related to access by the applying entities.
3. Within 30 (thirty) days of the date of receipt of the application for access to the services, Monte Titoli shall notify the applicant that it has been granted access or of the grounds for rejection, in accordance with the provisions of European Regulation (EU) No. 909/2014 and the associated implementing provisions.
4. The deadline indicated in paragraph 3 may be extended up to three months if the access application is submitted by:
  - a) entities intending to participate in the Notary;
  - b) central counterparties or other central securities depositories that wish to participate in the settlement service.

5. Access shall take effect on the date indicated by Monte Titoli. The commencement of operations is conditional upon completion of the operating configurations by the applicant and successful completion of the operating tests required by Monte Titoli.
6. If Monte Titoli refuses to grant access to the services, applicants may appeal to Consob in accordance with Articles 90-*bis* and 90-*ter* of the Consolidated Law on Finance. The appeals procedure laid down in Article 90 of European Regulation (EU) No. 392/2017 shall apply.

#### **Article 6 – Prerequisites for using the services**

1. The services may be used by the categories of entities that are specifically identified in accordance with the rules for each service.
2. Access to the services is conditional upon on continuous satisfaction of the following prerequisites:
  - a) an organisational structure adequate for the volume of work performed, staffed by appropriately qualified professionals, and having operating schedules compatible with those of the services. To that end, applicants shall employ qualified staff members who are familiar with the operating rules of the services and shall designate one or more contact persons for relations with Monte Titoli, who shall be available during the service operating times;
  - b) technological and IT systems ensuring: (i) the orderly, continuous, and efficient management of the relations and work resulting from subscription to the services; (ii) the capacity to receive and send communications online in accordance with the procedures and standards used by Monte Titoli for each service, even in contingency situations; (iii) the IT security, integrity and confidentiality of the data related to operations as part of the service. To this end, the participants shall employ staff with appropriate qualifications and knowledge of the technological systems and shall notify Monte Titoli of the name of the person responsible for the proper functioning of the internal technological systems.
3. Without prejudice to the provisions of paragraph 2, the rules for an individual service may include specific access requirements.
4. Monte Titoli shall assess compliance with the access requirements on the basis of the information provided by the applicant and in light of the features of the service to which access is requested.
5. In the event of admission of entities whose registered office is not located in the territory of the European Union, Monte Titoli shall assess whether there is no impediment to the application of these Regulations and the related Instructions and General Provisions Part I and II, and any requirements or obligations incumbent upon them arising from the application of the laws of the foreign party's country of origin. For the purposes of the said assessment, Monte Titoli reserves the right to ask entities from third-party countries for specific information or certifications, including any legal opinions or agreements.

## Article 7 – Exclusion on request

1. Entities with access to the services may request exclusion therefrom, with the effect of withdrawal, in accordance with the provisions of the General Terms and Conditions for Provision of Services.
2. Entities requesting exclusion from the basic services, in accordance with the rules for the individual services, shall reach agreement with Monte Titoli on the actions necessary:
  - a) for acquisition of the settlement instructions; and
  - b) for closure of the accounts.

## Article 8 – Code of Conduct

1. Entities accessing the services shall comply with the following code of conduct:
  - a) to comply with these Regulations, the Instructions and Operating Documents, and the General Terms and Conditions for the Provision of Services, ensuring that their conduct is fair, diligent and professional in dealing with the other entities subscribing to the services and in fulfilling their obligations towards Monte Titoli, and in using the various technological systems whereby the services are provided;
  - b) to refrain from taking any action that may jeopardise the regular operation of the services;
  - c) to act with maximum diligence to ensure that the technological and IT systems used to perform their own work as part of the services function properly and adequately and ensure IT security and data security and integrity;
  - d) to participate in the tests organised or requested by Monte Titoli and to report the outcome thereof;
  - e) to promptly inform Monte Titoli:
    - i. of any circumstances that may affect compliance with the prerequisites for participation, such as: (i) substantial changes in their organisational structure, concerning the entities or units involved in the work related to participation in the services, including the appointment and/or dismissal of the contact persons; (ii) substantial changes in the technological and IT systems used for the work related to participation in the services;
    - ii. of any circumstance known to them, including any technical malfunction of their own technological and IT systems that could jeopardise the regular operation of the services accessed by them;
    - iii. of any changes to the information provided upon application

for admission, in particular changes to their own operating configurations according to the methods set out in the Instructions;

- f) in accordance with the terms and conditions indicated in the Service Instructions, to request changes in their own operating configurations from those provided upon admission;
2. Without prejudice to the provisions of paragraph 1, the rules for an individual service may impose specific rules of conduct.
3. Entities accessing the services shall be liable to Monte Titoli for the behaviour of their employees and collaborators.

### **TITLE III – CHECKS ON SERVICES**

#### **Article 9 – Verification**

1. To monitor compliance with the Regulations, especially the code of conduct, the Instructions and to ensure the regular performance of the services and its own functions as central securities depository, Monte Titoli reserves the right to:
  - a) request from entities accessing the services any useful information or documents regarding their work in relation to the services;
  - b) convene the representatives of the entities accessing the services to receive explanations of specific conduct or situations;
  - c) for the purpose of verifying compliance with the requirements of Article 6, paragraph 2, letter b), to carry out inspections at the premises of the entities accessing the services.
2. Entities accessing the services shall provide to Monte Titoli the option to conduct inspections on the premises of the third parties they employ to perform their own work in relation to the services.
3. The provisions of paragraph 1, letter c) shall not apply to public international bodies of which one or more Member States of the European Union are members.

#### **Article 10 – Procedure for verifying breaches**

1. In the event that, on the basis of the information acquired during the work referred to in Article 9, Monte Titoli discovers a potential breach of the Regulations, specifically a breach of the code of conduct or the Instructions, it shall send written notification to the entity in question, including:
  - a) a description of the alleged breach;
  - b) a request to submit within 30 days of the notification additional



information for consideration or any request for a meeting to examine the matter jointly.

2. Should the entity in question not have submitted additional information for consideration or requested a meeting before the deadline indicated in paragraph 1 has passed, Monte Titoli may take the following measures against the entity in question:
  - a) a written request to comply exactly with the Regulations and Instructions and/or rules of conduct, possibly taking appropriate corrective measures;
  - b) a written warning;
  - c) suspension of one or more services.
3. Where the entity in question has provided additional information for consideration, Monte Titoli may take the measures referred to in paragraph 2 within 60 days of the date on which the said information was provided. Where the entity in question has requested a meeting, the 60 days shall commence as of the meeting date.
4. Monte Titoli reserves the right to publish the measures indicated in paragraph 2, letters a) and b), where this proves necessary or appropriate for the purpose of the regular operations of the basic services. The identification details of the entity shall be anonymised should the measures referred to in letters a) and b) be published. The measures referred to in letter c) shall be published in accordance with the terms and conditions set out in Article 11.

### **Article 11 – Suspension procedures**

1. Monte Titoli reserves the right to suspend access to the services to subscribing entities:
  - a) failing to meet the admission prerequisites;
  - b) that have caused disruptions or major delays in the performance of the services;
  - c) in the event of serious breaches of the Regulations, the Instructions, the Operating Documents or those that otherwise engage in conduct incompatible with regular performance of the services.
2. The suspension may cover the services in whole or only in part and may also be limited to a block on one or more securities account/s, taking into account the operational configurations adopted by the entity in question. Monte Titoli shall notify the entity of the date on which the suspension shall take effect and the services to which it refers.
3. Suspended entities are required to co-operate with Monte Titoli to minimise the impact on other entities accessing the services, as a result of the suspension order.
4. In the event of suspension of the basic services, suspended entities may only take the actions necessary to handle the settlement instructions existing on the settlement system and/or to permit exercise of the

administrative and property rights pertaining to the securities registered on the accounts opened in the Central Securities Depository.

5. A suspended entity is in any event required to pay the fees.
6. In the event of suspension of the basic services, Monte Titoli shall without delay inform the entities accessing the services, the markets, the central counterparties, the Banca d'Italia, and Consob of the measures adopted. In the event of suspension of ancillary services, Monte Titoli reserves the right to notify the suspension to the other participants in the services should this prove necessary or appropriate for the regular operations of the basic services.
7. The provisions of this Article shall not apply to Central Banks or the Ministry of Economy and Finance.

### **Article 12 – Exclusion procedures**

1. Monte Titoli excludes from the services those entities:
  - a) that no longer belong to the categories of entities specifically identified in accordance with the rules for each service;
  - b) that have received a notice of suspension, should the causes resulting in the suspension not have been resolved on the expiry date of the period thereof.
2. Excluded subjects are required to co-operate with Monte Titoli in order to minimise the impact on other entities accessing the services, as a result of the exclusion order.
3. Monte Titoli shall without delay notify the Banca d'Italia and Consob of the exclusion orders made, and where relevant, shall also notify the Central Counterparties and entities accessing the Markets services.

### **Article 13 – Review of measures**

1. Entities accessing the services may request a review of the measures referred to in Articles 10, 11 and 12, in accordance with the procedures set out in Article 14 of the General Terms and Conditions for the Provision of Services – Part I.

### **Article 14 – Insolvency management procedures**

1. Monte Titoli shall immediately suspend access to the services to entities subject to insolvency proceedings as defined in Legislative Decree No. 210/2001.
2. The operating procedures applying to insolvency management, where applicable, are set out in the rules for each service.

3. Monte Titoli may exclude an insolvent entity from the services to the extent permitted by the provisions of the applicable laws and regulations.
4. The adoption against an entity accessing the service, in accordance with Legislative Decree No. 180/2015, the Consolidated Law on Banking or the Consolidated Law on Finance, of a crisis prevention or management measure or compulsory administrative liquidation proceedings with continuation of company business provided for by agreement of the winding-up bodies, or other equivalent measures provided for by other jurisdictions, shall not constitute grounds for suspension or exclusion, provided that the said entity continues to fulfil the obligations arising from participation in the services.

## **PART II - SERVICE REGULATIONS**

### **TITLE I – CENTRAL SECURITIES DEPOSITORY SERVICE**

#### **CHAPTER I – THE NOTARY SERVICE**

##### **Article 15 – Characteristics of the Service**

1. The notary service comprises the initial registration of an issue of dematerialized or paper-based financial instruments, or part of the same, in the accounting records system maintained by Monte Titoli, as central depository.
2. The initial registration mentioned by paragraph 1 may be requested by the issuers or entities who operate on their behalf.
3. Monte Titoli ensures the integrity of the issue, or part thereof, initially registered in its accounting records system, through the reconciliation measures set forth by article 20, in accordance with article 37 of the *CSDR*.
4. Notices to and from Monte Titoli concerning the central securities depository service are made exclusively via electronic networks, in the manner and within the terms specified by Monte Titoli in the Service Instructions and Operating Documents.

##### **Article 16 – Participation requirements**

1. Legal entities that comply with the requirements of article 6 of these Rules, may be admitted to the service as issuers.
2. Issuers may avail themselves of third parties provided the conditions provided by Article 17 are complied with in full, for the management of the operating procedures and technological systems used for participation in the service.

##### **Article 17 - Requirements for Service Providers**

1. For the management of the operating procedures and technological

systems used for participation in the central securities depository service, issuers may use entities who have entered into a specific contract with Monte Titoli ("service centres").

2. The agreement between Monte Titoli and the Service Provider shall moreover provide:
  - a) that Monte Titoli, or its representatives may verify, on the premises of the Service Provider, full compliance with the requirements set forth by the Rules;
  - b) the obligation for the Service Provider to adopt back-up and disaster recovery procedures and to adopt the technical and infrastructural requirements specified by Monte Titoli in the Service Manual according to the type of operation.
3. The Issuer or Intermediary shall have adequate documentation on its premises relevant to the architecture, functionalities, operating procedures, service levels, controls and contractual guarantees of the activities assigned to the Service Provider.
4. The agreement between the Service Provider and issuer shall also state if the Service Provider in turn avails itself of third parties to perform a part of the services assigned to the same. Should the Service Provider avail itself of third parties, Monte Titoli shall be entitled to check the adequacy of the technological structure even on the premises of the third party used by the Service Provider. Issuers shall send to Monte Titoli, even as an excerpt, contractual clauses that reflect the requirements provided by this paragraph.
5. Where Monte Titoli finds that access to the Service of an Issuer that uses the service provider and/or the service provider cause, or may cause:
  - a) technical problems to Monte Titoli;
  - b) interference with access to the Service of any entity; or
  - c) any risk to the ordinary operation of the Service; or
  - d) any risk, for Monte Titoli, of breach of its regulatory responsibilities,

Monte Titoli may, upon notice to all the entities concerned, suspend access to the System of the Issuer, or give instructions to this end to the Service Provider, that the latter should follow up without delay.

In any case, Monte Titoli retains the right to limit the number of participants that a Service Provider can connect to the Service in the event of (i) persistent technical problems affecting a significant number of entities that use the Service Provider and/or if (ii) the Service Provider is unable to modify its systems to make them compatible with updates made by Monte Titoli.

## **Article 18 – Requirements for the admission of financial instruments**

1. The following categories of financial instruments may be initially recorded in the accounting records of Monte Titoli:

- a) securities tradable on the capital market, including commercial papers;
  - b) the shares/units of collective investment undertakings;
  - c) money-market instruments;
2. The financial instruments regulated by Italian law may be admitted on condition that they have the characteristics set forth by article 33 of the "Post-trading Regulations".
  3. The financial instruments not regulated by Italian law may be admitted on condition that:
    - a) they have the same characteristics set forth by paragraph 2, where they are compatible with the provisions of corporate law, or any other similar law, of the legal system that the issuer declares is applicable to such instruments;
    - b) the issuer attests that there are no impediments of any kind that may prevent the initial registration in Monte Titoli's accounting system, or the application of these Rules and the relevant Instructions.
  4. For the admission of financial instruments not regulated by Italian law, Monte Titoli assesses the provisions of corporate law, or any other similar law, of the legal system that the issuer declares to be applicable to the instruments, in order to verify whether specific measures are necessary to allow the issuer and intermediaries to comply with these provisions. The fact that Monte Titoli is unable to adopt the specific measures required by the application of the above provisions is important in terms of refusing access pursuant to article 49, paragraph 3 of the CSDR.
  5. As regards the circumstances certified pursuant to paragraph 3 and assessed pursuant to paragraph 4, Monte Titoli reserves the right to ask the issuer to provide a legal opinion drawn up by a lawyer qualified to practice the profession under the law that the issuer declares to be applicable to such instruments.
  6. Monte Titoli reserves the right to ask the issuer to provide a specific legal opinion - or to renew the opinion produced upon admission - in the case of important changes to the applicable provisions that may affect the same circumstances.

### **Article 19 - Initial registration of the financial instruments**

1. For the initial registration, Monte Titoli opens, for each issuer, an account in which the information relevant to each issue are separated, containing all the information necessary to identify the characteristics of the issue and, in any case, the type of financial instrument, the ID, the quantity issued, the total value of the issue, the split and any related rights.
2. Monte Titoli shall make the initial registration of the financial instruments by recording them on the Intermediaries' account and as a contra-entry on the Issuer's account, according to the specific crediting instructions given by the latter. The initial registration of paper-based financial instrument is carried out upon delivery of the relative certificates to Monte Titoli.
3. In order to verify the placement or subscription of new issue financial instruments, Monte Titoli credits the financial instruments on the

intermediaries' accounts when the amount from the subscription or placement is credited on the account of the collecting bank delegated by the issuer, according to the operating procedures described in the Instructions. Taking into account the characteristics of the financial instruments or the particular issue and placement procedure, Monte Titoli establishes in the Instructions the cases in which the issuer may request Monte Titoli to arrange exclusively for the crediting of the financial instruments to the accounts of the intermediaries on condition that the issuer issues a specific certificate of placement and/or subscription.

4. If parts of the same issue are registered with more than one central depository or other entities, Monte Titoli will record the balance corresponding to the part of the issue registered initially in its accounting records, in the account specified by paragraph 1.
5. The initial registration of the financial instruments does not affect the statutory obligations arising from ownership of the rights attaching to the financial instruments in question.
6. Following the initial registration, corporate transactions relevant to financial instruments of the initial registration are processed through Monte Titoli and regulated under the Service Supporting Corporate Events.
7. The operating procedures for the initial registration of the financial instruments are described by the Instructions.

#### **Article 20 – Reconciliation measures**

1. Once all the transactions carried out on each accounting day have been completed, Monte Titoli carries out the reconciliation process pursuant to article 59 of European regulation (EU) no. 392/2017, for each issue registered initially in its accounting system.
2. In the case of financial instruments subject to coupon-stripping and replenishment transactions, reconciliation is carried out solely for the balances of the intermediaries' accounts.
3. If parts of the same issue are initially registered with more than one central depository or other entity Monte Titoli adopts the operational and information protection measures necessary to guarantee the integrity of the issue by entering into specific agreements with the entities involved, as provided by articles 61, 62, 63 and 64 of European regulation (EU) no. 392/2017.
4. Where, as a result of the reconciliation process, any inconsistency or asymmetry is ascertained between the balance of a specific issue, and the sum of the balances of the accounts of Intermediaries, Monte Titoli adopts the necessary control procedures and measures to ensure the integrity of the issue and protect the investors, including the suspension of the financial instrument under the Settlement Service, pursuant to article 65 of European Regulation (EU) no. 392/2017. These measures are specified in the Instructions.
5. In the cases provided by the above paragraph, Monte Titoli may ask the intermediaries for any information that may be required to correctly reconcile the balances of the securities accounts.

6. Monte Titoli carries out the reconciliation procedures specified by this article, before executing the corporate transactions that modify the balance of the securities accounts of the issuers and intermediaries.

### **Article 21 – Account statement of the Issuer**

1. At the end of each accounting day, Monte Titoli shall send the transaction statements to the issuers as a record of all accounting movements carried out on the financial instruments.
2. If the issuer finds any discrepancies in the statements and/or the communications relating to the individual account movements carried out in the course of the day, they may notify these in writing within the day after the date of receipt of same.
3. In the absence of such notification, the statements and/or the aforesaid movements shall be deemed to be tacitly approved.

### **Article 22 – Withdrawal**

1. The centralised, non dematerialised financial instruments that are managed directly by Monte Titoli may be withdrawn from the Service.
2. Monte Titoli shall inform Issuers – also for recording purposes in the shareholders' register – about the specific identification numbers of the registered, non dematerialised financial instruments placed at their disposal for withdrawal through an Intermediary.
3. Notifications shall be sent on a monthly basis, within the fifth working day of each month, of the actual movements of all the financial instruments that have taken place until the last day of the previous month.
4. If the financial instruments are not withdrawn from Monte Titoli, they are returned by Monte Titoli, even through the Issuer, at the expense and risk of the Intermediary.

### **Article 23 – Exclusion of financial instruments**

1. Financial instruments are excluded from the notary service:
  - a) if they no longer satisfy the admission requirements;
  - b) if the issuing company is dissolved or liquidated.
2. If the dematerialized financial instruments are excluded, Monte Titoli provides the Issuer with a statement of its accounting records showing the amount of each issue, and the identification data of the intermediaries who hold the financial instruments excluded and the balances of the relevant securities accounts, so that the issuer may carry out the transactions that are necessary as a result of the change in the form and circulation system of the financial instruments.
3. Where registered paper-based financial instruments are excluded, Monte Titoli makes them available to the issuer or intermediaries for withdrawal, in the manner described by the Instructions and Operating Documents.
4. Where financial instruments are excluded as a result of the dissolution or liquidation of the company, Monte Titoli clears the balance of the Issuer's

and Intermediaries' accounts pertaining to the excluded financial instruments.

5. Where the application of the dematerialisation obligation ceases on the financial instruments, Monte Titoli does not exclude the financial instruments from the service, if this has not expressly been requested by the issuer.
6. Monte Titoli notifies the issuers, the intermediaries, Consob and the Bank of Italy that the financial instruments have been excluded.

#### **Article 24 – Limitations to registrations and withdrawals**

1. In order to ensure the proper functioning of the Service, Monte Titoli may establish conditions and deadlines for registrations and, only for non dematerialised transactions, for the withdrawal and delivery of centralised financial instruments.

### **CHAPTER II - THE CENTRALISED MAINTENANCE SERVICE**

#### **Article 25 – Characteristics of the Service**

1. This is a maintenance service for the securities accounts used to record the movements of the financial instruments arranged by intermediaries in Monte Titoli's accounting records system.
2. Notices to and from Monte Titoli relevant to service operations are sent exclusively via electronic networks, in the manner and within the terms specified by Monte Titoli in the Service Instructions and Operating Documents.
3. Monte Titoli also sends to intermediaries, at their specific request, Service Information Notices containing supporting information relevant to operation of the service.

#### **Article 26 – Admission requirements**

1. Pursuant to article 32 of the Post-trading Regulations, legal entities that participate in the Settlement Service may hold accounts with Monte Titoli's accounting records system; Issuers admitted to the Settlement Service may keep securities accounts solely to record movements on financial instruments issued by them or by affiliates or subsidiaries through a shareholding.
2. Intermediaries may avail themselves of third parties for the management of the operating procedures and technological systems used for participation in the service, subject to compliance with the requirements set forth by article 17.

#### **Article 27 – Maintaining accounts as intermediaries**

1. In the name and at the request of the intermediaries, Monte Titoli shall open, for each of these, separate own accounts and third party accounts,



each of which shall be subdivided into as many sub-accounts as the financial instruments registered on the same.

2. Third-party accounts may be used to record securities held by the different clients of an intermediary ("third-party omnibus accounts") or to record securities held by an individual customer of an intermediary ("segregated accounts at an individual customer level").
3. For each account opened with Monte Titoli, the intermediaries should specify in their operating configurations whether this is an own account, a third party omnibus account or a segregated third party account for an individual customer.
4. The credit and debit movements of the financial instruments recorded in the accounts specified by paragraph 1 may be arranged exclusively through the Settlement Service. The credit movements are arranged only after recording the corresponding debit.
5. Monte Titoli may block the resources available on the accounts in part or in whole at the request of Intermediaries or to meet service requirements in order to ensure the correct execution of corporate transactions.
6. At the end of each accounting day, Monte Titoli sends to the intermediaries a statement showing the initial and final balances, and the individual credit and debit movements recorded on that account during the accounting day. This statement will also indicate the quantity of any financial instruments not available for transfer or delivery for settlement as well as any movements in the account(s) occurred during the day, if these have not been notified before.
7. The intermediaries verify on a daily basis that the data communicated in the account statement sent by Monte Titoli complies with their own accounting data. If Intermediaries find any discrepancies in the statements and/or the communications relating to the individual account movements carried out in the course of the day, they shall give notification in writing within the day following the receipt of same.
8. In the absence of such notification, the statements and/or the aforesaid movements shall be deemed to be tacitly approved.

## **TITLE II – THE CENTRAL SECURITIES DEPOSITORY SERVICE AND INCIDENTAL SERVICES**

### **CHAPTER I – SERVICE SUPPORTING THE PROCESSING OF CORPORATE TRANSACTIONS**

#### **Article 28 – Characteristics of the Service**

1. The service processing corporate transactions relevant to financial instruments initially registered in the accounting records system of Monte Titoli. The service is carried out on the basis of the appointments and

notifications sent to Monte Titoli by issuers and intermediaries, in the manner and within the deadlines specified by the Instructions.

2. The service is carried out in favour of issuers and intermediaries that participate in the notary and Centralised Maintenance Service.

### **Article 29 – Attendance at shareholders’ meetings**

1. After receiving a specific appointment from the issuer, Monte Titoli communicates to the intermediaries all the information required to issue the communications provided by the applicable law, including the record date if applicable.
2. At the request of Issuers, Monte Titoli shall communicate, with reference to the record date, the ID data of the Intermediaries on whose accounts the financial instruments are registered and the relevant quantities.

### **Article 30 – Payment of dividends**

1. For financial instruments for which payment of the dividend is made in Euro the Issuer shall send to Monte Titoli instructions for the execution of the transaction indicating the name of the Paying Bank, at the terms and in the manner specified by the Instructions.
2. The Paying Bank confirms to Monte Titoli the acceptance of the mandate and the account of the TARGET 2 System in which the funds for the payment of dividends are provided.
3. If the information specified by paragraph 1 are not provided, or the mandate is not accepted by the Paying Bank, Monte Titoli will not carry out the transaction on the planned payment date. Monte Titoli then informs the issuer, the intermediaries and the Supervisory Authorities of the above.
4. The mandate between the issuer and Paying Bank provides that the latter may send, under its sole responsibility, instructions for the refusal and/or revocation and /or cancellation of payments within the deadlines set by Monte Titoli. In the absence of instructions for refusal and/or revocation and/or cancellation of the payment sent by the Paying Bank within the time limits specified in the Instructions, Monte Titoli shall perform the transaction using the funds available in the account specified by paragraph 2, and, after obtaining result of the settlement, and shall credit the funds to Intermediaries. If there are no funds or insufficient funds, Monte Titoli will not carry out the transaction.
5. As part of the same operation, Monte Titoli shall charge the Paying Bank an amount net of the funds due to the Paying Bank as Intermediary.
6. In the case of obvious mistakes reported by the Issuer, Monte Titoli may reverse the payment made and repeat the same, in the manner and within the terms specified by the Instructions.
7. Intermediaries may send instructions for the renunciation and/or late payment of dividends within the terms indicated by Monte Titoli in the Service Instructions.

### **Article 31 – Interest payments and capital redemptions on bonds and similar financial instruments**

1. For financial instruments for which interest payments and capital redemptions are made in Euro, Issuers send to Monte Titoli instructions for the execution of the transaction and indicate the Paying Bank in the manner and within the terms specified in the Instructions.
2. The Paying Bank confirms to Monte Titoli the acceptance of the mandate and indicates the account of the TARGET 2 System in which the funds for interest payments and capital redemptions are provided.
3. If the information specified by paragraph 1 is not provided, or the mandate is not accepted by the Paying Bank, Monte Titoli will not carry out the transaction on the scheduled payment date. Monte Titoli then informs the issuer, the intermediaries and the Supervisory Authorities of the above.
4. The mandate between the issuer and Paying Bank provides that the latter may send, under its sole responsibility, instructions for the refusal and/or revocation and /or cancellation of payments within the deadlines set by Monte Titoli. In the absence of instructions for refusal and/or revocation and/or cancellation of the payment sent by the Paying Bank within the terms specified in the Instructions, Monte Titoli shall carry out the transaction using the funds available in the account specified by paragraph 2, and, after obtaining the result of the settlement, credits the funds to the Intermediaries. If there are no funds or insufficient funds, Monte Titoli will not carry out the transaction.
5. As part of the same operation, Monte Titoli charges the Paying Bank an amount net of allowances due to the Paying Bank as Intermediary.
6. In the case of obvious mistakes reported by the Issuer, Monte Titoli may reverse the payment made and repeat the payment, in the manner and within the terms specified by the Instructions.
7. For financial instruments for which the payment of interest and the redemption of capital is carried out in a currency different from the Euro, Monte Titoli, having been appointed by the Issuer shall issue instructions to the Paying Bank to execute the interest payments and capital redemptions in the manner and within the terms specified in the Instructions.
8. If provided by the agreements with the Issuer, the payment may be made upon receipt of the funds by Monte Titoli.

### **Article 32 – Capital Increases**

1. For capital increases, Monte Titoli shall act after being duly appointed by the Issuer.
2. For cash capital increases, the Intermediaries shall send Monte Titoli instructions for the execution of the transaction, specifying the TARGET2 System account on which the funds are available to cover the subscription, in the manner and within the terms specified in the Instructions. After verifying the settlement of the funds, Monte Titoli shall

credit the funds to the Issuer and, if the financial instruments deriving from the transaction are admitted to the Service, Monte Titoli shall transfer them to the Intermediaries' securities accounts. Monte Titoli shall carry out the transaction up to the amount of the funds made available in accordance with the indications given by Intermediaries and in the absence of such indications by giving priority to the transactions undertaken by Intermediaries on behalf of third parties. If no instructions are given or in the absence of the funds, Monte Titoli shall not carry out the transaction.

3. For bonus capital increases, if the allotment right is not negotiable, Monte Titoli, on its own initiative, shall comply with all the necessary requirements for the allotment of the new financial instruments issued. If the allotment right is negotiable, Monte Titoli shall operate on the basis of the instructions received from Intermediaries.

### **Article 33 – Conversions and exercising rights**

1. For conversions and exercising the rights attached to financial instruments managed directly by Monte Titoli, Monte Titoli shall act after being duly appointed by the Issuer.
2. For conversions and exercising rights, the Intermediaries shall send Monte Titoli instructions for the execution of the transaction, in the manner and within the terms specified in the Instructions.
3. In the event of conversions, if the financial instruments deriving from the transaction are admitted to the Service, Monte Titoli shall transfer them to the securities accounts of Intermediaries.
4. In order to exercise the rights, without prejudice to paragraph 2, Intermediaries shall specify the TARGET2 System account on which the funds are available to cover the transaction. After verifying the settlement of the funds, Monte Titoli shall transfer the funds to the Issuer and, if the financial instruments deriving from the transaction are admitted to the Service, Monte Titoli shall transfer them to the Intermediaries' securities accounts. Monte Titoli shall carry out the transaction up to the amount of the funds made available in accordance with the instructions given by Intermediaries and in the absence of such instructions by giving priority to the transactions undertaken by Intermediaries on behalf of third parties. If no instructions are given or in the absence of the funds, Monte Titoli shall not carry out the transaction.
5. Upon expiry of the time limit for exercising the right, Monte Titoli shall operate in accordance with the provisions contained in the Instructions.

### **Article 34 – Other capital transactions**

1. For other capital transactions involving financial instruments managed directly by Monte Titoli, Monte Titoli shall act after being duly appointed by the Issuer.
2. For other capital transactions decided by the Issuer, the Intermediaries shall send Monte Titoli the instructions needed to carry out the transaction in the manner and within the time limits specified in the Instructions.

3. For bonus capital increases, if the financial instruments deriving from the transaction are admitted to the Service, Monte Titoli shall transfer them to the Intermediaries' securities accounts.
4. For cash capital increases, without prejudice to the provisions of paragraph 2, Intermediaries shall specify the TARGET2 System account on which the funds are available. After verifying the settlement of the funds, Monte Titoli shall transfer the funds to the Issuer and, if the financial instruments deriving from the transaction are admitted to the System, Monte Titoli shall transfer them to the Intermediaries' securities accounts. Monte Titoli shall carry out the transaction up to the amount of the funds made available in accordance with the instructions given by Intermediaries and in the absence of such instructions by giving priority to the transactions undertaken by Intermediaries on behalf of third parties. If no instructions are given or in the absence of the funds, Monte Titoli shall not carry out the transaction.

### **Article 35 - Waiver from the cash settlement procedures for capital transactions**

1. Exclusively for instructions carried out on behalf of the collecting bank, at the request of the Issuer, by way of derogation from Article 34 (2), Monte Titoli shall transfer the funds deriving from the transaction net of the amounts due to the collecting bank.
2. If the issuer also participates in the Service as an Intermediary, exclusively with reference to instructions carried out on behalf of the Issuer involving its own financial instruments and at the request of the Issuer, Monte Titoli, by way of derogation from Articles 34 (2), 35 (4) and 36 (4), shall not debit or credit the relevant funds.

## **CHAPTER II - FINANCIAL INSTRUMENT MANAGEMENT SERVICE THROUGH CONNECTION WITH OTHER CENTRAL DEPOSITORIES**

### **Article 36 – Characteristics of the Service**

1. Intermediaries may ask Monte Titoli to register in the securities accounts according to article 27 the financial instruments initially registered with other central depositories. The registration procedures for the financial instruments are described in the Instructions.
2. The financial instruments may be registered in the securities accounts of the central securities depository service provided Monte Titoli has established a connection with the central depository with which the financial instruments are registered that also allows the settlement of transactions on these financial instruments. Monte Titoli publishes on its website the list of connections established with the central depositories and the types of financial instruments managed in the context of each connection.
3. Rules governing the Maintenance Service insofar as compatible. As part of the reconciliation procedures provided by article 27, Monte Titoli verifies that there are no inconsistencies between the balance of the financial instruments held by other central depositories and the sum of the balances of the intermediaries' accounts.

The service is offered to Intermediaries that participate in the Centralized Maintenance Service.

### **Article 37 – Financial instruments admitted to the service**

1. The financial instruments belonging to the categories set forth by article 18 paragraph 1 of these Rules may be admitted to the Service;
2. For purposes of admission, Monte Titoli reserves the right to verify the existence of restrictions that limit circulation or the operational management of the financial instruments and the tax law applicable to the same.
3. Monte Titoli suspends or excludes financial instruments from the service following the introduction of similar measures by the central depository with which the financial instruments are registered and immediately notifies the intermediaries in the manner and with the deadlines established with the central depository.

### **Article 38 – Service Information Notices**

1. Monte Titoli transmits to the Intermediaries, through Service Information Notices, information relating to corporate transactions received from the central depositories or the Issuer and processes them in the manner established in the Instructions.
2. Monte Titoli sends to the Intermediaries, at their specific request, any Event Announcements received from the central depository with which the instruments are registered.

### **Article 39 - Shareholders' meetings**

1. Monte Titoli communicates to the Intermediaries participating in the Service all the information required to attend shareholders' meetings received through the central depository with which the financial instruments are registered or through the issuer and carries out any further activities that may be necessary to facilitate attendance at the shareholders' meetings.

### **Article 40 – Payment of dividends**

1. For financial instruments, for which the payment of dividend may be carried out both in Euro and in a currency different from the Euro, Monte Titoli shall arrange the payment of dividends, after receiving the funds from the Issuer or the central depositories, in the manner and within the time limits set out in the Instructions and Operating Documents. The payment is made by applying the highest applicable rate under the tax law that applies to the financial instrument in question.

For these financial instruments, renunciation to and/or delayed payment of the dividend by the Intermediary is not allowed.

2. The provisions of this article also apply to payment transactions of proceeds and the redemption of funds managed by Monte Titoli through a connection.

**Article 41 – Interest payments and capital redemptions on bonds and similar financial instruments**

1. For financial instruments for which the payment of interest and the redemption of capital is made in Euro or in a currency different from the Euro, Monte Titoli, after having received the funds, issues instructions to the entities with which it has established current accounts to execute the payment of interest and capital redemption according to the instructions received from the central depositories or the entities appointed, in the manner and within the time limits specified in the Instructions.
2. Monte Titoli makes the payment by applying the highest applicable rate under the tax law applicable to the financial instrument in question.

**Article 42 – Capital transactions**

1. For transactions on the capital, Monte Titoli acts after receiving an information document from the central depositories with which the financial instruments are registered and sends to the Intermediaries the operating terms and instructions to manage the transaction and to receive instructions, where provided.
2. For cash capital increases, exercising rights and other cash transactions on the capital:
  - a) cash settlement shall be made by debiting the account in the TARGET2 System for payments in Euro and, for those in a currency other than the Euro, by receiving the equivalent value, from the subscribers, to transfer to an account indicated by Monte Titoli;
  - b) Monte Titoli shall transfer the funds on to the account of the Collecting bank indicated by the central depository and credits the financial instruments obtained from the transaction received from the central depository, to the accounts of the Intermediaries;
  - c) if no instructions are given or in the absence of funds, Monte Titoli shall not carry out the transaction.
3. For bonus capital increases, Monte Titoli shall perform, on its own initiative, all the formalities needed for the allotment of the new financial instruments issued or, where instructions are required, acts on the basis of thereof.
4. For bonus capital increases, Monte Titoli, where provided, credits the financial instruments deriving from the transaction on the securities accounts of the Intermediaries and updates its accounting records for each financial instrument involved in the transaction.

## **CHAPTER III – SERVICE FOR THE IDENTIFICATION OF FINANCIAL INSTRUMENT HOLDERS**

### **Article 43 – Identification of financial instrument holders**

1. For financial instruments managed directly, Monte Titoli, having been duly appointed by the Issuer, shall send the Intermediaries the information required, including the record date, to identify the financial instrument holders according to article 83 duodecis of the Consolidated Law on Finance and article 26-bis of the Bank of Italy – Consob Provision.
2. In addition, at the request of Issuers, Monte Titoli shall communicate, with reference to the record date, the ID data of the Intermediaries that hold the financial instruments on their central securities depository accounts and the number of financial instruments registered in the accounts assigned to them.
3. For financial instruments managed through connections, Monte Titoli provides the information referred to by paragraphs 1 and 2, if provided by the agreements entered into by Monte Titoli and with which the financial instruments are centralised or at the request of the Issuer.
4. In cases of identification requests concerning financial instrument holders as mentioned by paragraph 2, Monte Titoli sends to the Issuer only the data of the Intermediary holders of the financial instruments who have not expressly forbidden the communication of ID data and/or the number of financial instruments registered in their own accounts.

## **CHAPTER IV – TAX SERVICES**

### **SECTION I – FISCAL SERVICES FOR FINANCIAL INSTRUMENTS SUBJECT TO ITALIAN TAX LAWS**

#### **Article 44 – Scope of application**

1. Monte Titoli provides assistance in tax aspects related to the support of corporate operations and relating to the categories of capital income indicated in the Instructions.
2. Monte Titoli provides assistance services for tax aspects relating to income of financial nature, other than those referred to paragraph 1 and subject to the regime set out in D. lgs 21 November 1997, n. 461.

#### **Article 45 – Characteristics of the service**

1. Within the framework of the assistance services on financial instruments subject to Italian tax laws, Monte Titoli provides the following activities both as fiscal representative and otherwise:
  - a) acquires and retains, in compliance with the applicable law, all the information and documents required to fulfil fiscal obligations on behalf of entities who access the fiscal assistance service;



- b) verifies that the information under letter a) complies with the data available within the context of the service, through specific procedures;
  - c) calculates the tax according to the applicable rate or verifies that the conditions for exemption are satisfied according to the fiscal position of person who accesses the fiscal assistance service or its clients, based on the information obtained;
  - d) pays the tax on the behalf of entity that accesses the assistance service on the deadlines provided by applicable fiscal laws;
  - e) forwards the periodic statements provided by applicable tax laws to the Tax Authorities;
  - f) replies to requests from the Tax Authority, providing any information and documents relevant to obligations fulfilled on behalf of entities who access the fiscal assistance service even after the mandate expires.
2. Monte Titoli may carry out the activities set forth by paragraph 1, as fiscal representative, according to the type of representation specified in the Instructions, or by providing operating support to manage tax-related processes.
  3. Entities who access the services grant to Monte Titoli a mandate by signing a specific contract that specifies the activities carried out by Monte Titoli on their behalf according to paragraph 1. These Rules and the relevant Instructions are an integral part of this contract.
  4. As part of the consistency checks described by paragraph 1, letter b), in the case of Services provided according to Italian law, Monte Titoli carries out the following checks:
    - reconciliation of data between the statement of the central securities depository service of the Participant and the reports for the transactions communicated by the Participant, taking into account the type of transactions (i.e. sales contract or movements between free-of-payment securities accounts);
    - reconciliation between the accounting positions of the entity that accesses the fiscal assistance service and the securities positions present in the central securities depository account, in consideration of the changes deriving from corporate transactions.
  5. Monte Titoli may avail itself of the services of third parties to carry out the activities set forth by paragraph 1. The methods of interaction between entities who access the fiscal assistance service and these third parties are clearly specified in the Instructions and Operating Manuals of the Fiscal Services attached to the participation documentation.

#### **Article 46 - Entities, requirements and methods of participation**

1. Entities admitted to the basic services may participate in the fiscal assistance services provided they:
  - are authorised pursuant to European regulations on credit institutions (Directive 2013/36/EU – CRD), central counterparties

(Regulation no. 2012/648/EU - EMIR) or central depositories (Regulation no. 909/2014/EU - CSDR)

- qualify as non-residents pursuant to Italian tax laws.
2. Should Monte Titoli pay the tax in its capacity as fiscal representative of Participant, the entities under paragraph 1 must:
    - a) use, to transfer the cash required to pay taxes, their own account in the TARGET 2 System configured for the application of self-collateralisation mechanisms;
    - b) communicate the name of a contact person for the fiscal services, who is familiar with tax processes and who is available during the opening times of the service;
    - c) provide guarantees that Monte Titoli can activate above all in the case of insolvency of the Participant, to cover the risk of breach of the funding obligation for payment of taxes;
  3. The requirements set forth by paragraph 2, points a) and c) do not apply if the Participant, according to the documents produced, is an exempt subject and/or operates exclusively on behalf of an exempt subject.
  4. The guarantee value should be three times the average amount payable in each payment period and, in any case, not below the maximum payment made in the fiscal year on behalf of participant. Monte Titoli monitors these values and communicates them to participant twice a year. When this is applied for the first time, Monte Titoli determines this amount on the basis of the documents produced by participant to start the service.

#### **Article 47 - Obligations of entities who access the fiscal service**

1. Subjects who access the fiscal assistance services should send to Monte Titoli the documentation required by applicable tax laws together with all the information required by Monte Titoli in order to correctly manage the obligations towards the Tax Authority, in the manner specified by the Instructions. The deadlines, formats and procedures to follow to send data, are described by the Fiscal Services Manuals.
2. If Monte Titoli pays the tax in its capacity as fiscal representative of the Participant, the entity who accesses the fiscal assistance service should place on its account in TARGET 2 System the funds with which to pay the taxes within the 12th business day of the month when payment of the tax is due. If the funds are not provided the day before the date on which the tax is to be paid, Monte Titoli activates the guarantees provided by Participant and excludes participant from the fiscal service, communicating the termination of the relationship to the Tax Authority. This provision shall not apply to the payment of the taxes where Monte Titoli directly withholds the amount to pay to the Tax Authority.
3. In the cases provided by the Instructions, entities who access the fiscal assistance services declare, under their own responsibility, the fiscal regime applicable to the customers on behalf of whom they hold financial instruments on accounts opened with Monte Titoli. Monte Titoli checks the correctness of the statements according to the information available. If

the above declarations are not available, Monte Titoli will apply the maximum rate set forth by tax laws.

4. In the cases provided by the Instructions, entities who access the fiscal assistance services deposit the securities belonging to entities subject to different fiscal regimes, in separate accounts.

## **SECTION II – SERVICES FOR FINANCIAL INSTRUMENTS SUBJECT TO FOREIGN TAX LAWS**

### **Article 48 – Scope of application**

1. Monte Titoli provides assistance services for the tax aspects related to the support of corporate operations on financial instruments subject to the tax regime of the countries indicated in the Instructions.
2. Monte Titoli provides assistance services for the tax aspects related to the application of taxation on financial instruments transactions under French law ("French FTT").

### **Article 49 – Characteristics of the services**

1. In the context of assistance services for financial instruments subject to foreign fiscal regulations, Monte Titoli may carry out the following activities for the application of taxes on income or transactions on financial instruments:
  - a) withhold taxes at the source at the conventional rates or according to the exemption cases applicable based on the fiscal position of the intermediaries that participate in the service or their clients, according to the information obtained;
  - b) arrange to pay the tax and/or the management of the refund for the application of the reduced rates on the behalf of the intermediaries that participate in the service, according to the terms set forth by applicable tax laws;
  - c) submit the periodical statements provided by foreign tax laws to the Tax Authority;
  - d) respond to the requests of the Tax Authority.
2. Monte Titoli may carry out the activities under paragraph 1, assuming the specific qualifications provided by the foreign tax law and as stated in the Instructions, or by providing operational support to manage tax-related processes. In cases where Monte Titoli acquires specific qualifications under foreign tax regulations, participants must send Monte Titoli the official forms required by the competent tax authority and, where applicable, sign a specific contract specifying the activities performed by Monte Titoli. These Regulations and the related Instructions are an integral part of such contract.
3. The procedural aspects of the activities described by paragraph 1 are specified in the Instructions and tax guides specific to each country, published on the Monte Titoli website.

**Article 50 - Participants, requirements and methods of participation**

1. Intermediaries who have a securities account open with Monte Titoli's accounting records system may participate in the service.

## CHAPTER V - SERVICE FOR THE MANAGEMENT OF NOTICES AND COMMUNICATIONS

### Article 51 - Characteristics of the Service for the Management of Notices and Communications

1. The Services for the Management of Notices and Communications, according to the procedures provided by the Services Manual:
  - a) make it possible to pre-determine and/or manage, according to the accounting data processed by the central securities depository service, standard information flows related to: the notices and communications which Intermediaries are required to send to Issuers in the circumstances covered by the Consolidated Law on Finance and the Bank of Italy – Consob Provision; the personal data of eligible shareholders who intend to attend meetings;
  - b) manage the electronic transmission of the information flows relevant to the above notices, supporting each step of the preparation and submission process through control, monitoring, reconciliation tools and/or consistency checks;
  - c) prepare reports on the quality of the information processed and submit specific information to facilitate management of the flows processed;
  - d) permit the storage, organisation and management of all information flows transmitted and provide prompt updates on the progress of the completion of the process to transmit and manage information flows;
  - e) ensure the authentication of the parties authorised to operate on the system and the confidentiality of the information flows transmitted;
  - f) ensure matching of the information with the RCC service to pay the fees due by the Issuer to the Intermediary in respect of the information flows transmitted.

### Article 52 - Participants, requirements and methods of participation

1. Intermediaries who have a securities account open with Monte Titoli's accounting records system may participate in the service.

**CHAPTER VI – SERVICE FOR THE SETTLEMENT OF CLIENT FEES (SCF)****Article 53 - Characteristics of the service for the settlement of client fees (SCF)**

1. The service permits the reconciliation, control and settlement of the fees that Issuers recognise as due to Intermediaries for providing the personal data of shareholders.
2. The SCF service provides the following activities:
  - a) calculation of the fees due by the Issuer to the Intermediary for the services provided by the Intermediary, for company transactions on financial instruments centralised and managed in the central securities depository service, even when the Intermediary does not participate in the SCF service;
  - b) the production of detailed reports summarising the fees payable on each transaction;
  - c) settlement of the amounts determined in accordance with the above point on the accounts held by the Intermediary, directly or indirectly, and reported to Monte Titoli to this end; the settlement is carried out at the *cut-off* date specified by the Instructions of the SCF service based on the findings on that date;
  - d) the electronic forms used to prepare the invoices for the above payments.
3. The SCF services gathers, checks and organises the data and information sent by the Intermediary and arranges the relevant payments by the Issuers in accordance with the terms and conditions specified by the Instructions.

**Article 54 - Participants, requirements and methods of participation**

1. Intermediaries who participate in the Notary and Centralised Maintenance Service may participate in the service, and the service should be carried out, in so far as the same is compatible, in compliance with and according to the procedures provided by Part I, Title II.

## **CHAPTER VII – SERVICES FOR THE REGISTRATION OF PUBLIC PURCHASE OFFERS OR EXCHANGE TENDER OFFERS (PPO/ETO Service)**

### **Article 55 – Scope of the PPO/ETO Service**

1. Monte Titoli coordinates the collection of acceptances in the “PPO/ETO Service”, for public purchase offer transactions or exchange tender offer transactions on financial instruments.
2. As part of the PPO/ETO Service, Monte Titoli carries out the following activities:
  - a) prepares the operational procedures to collect acceptances;
  - b) communicates to the Intermediaries the information required to manage the additional operational requirements relevant to acceptances, through Service Information Notices;
  - c) coordinates the collection of acceptances and communicates the data relevant to the number of acceptances received and the total financial instruments made available by participants;
  - d) arranges the transfer to the bidder of the financial instruments made available by participants in the offer and arranges the payment of the offer price;
  - e) arranges the payment of the fees due, if any, by the bidder to the Intermediaries for the activities carried out to submit the offer.
3. The operational procedures and the timing related to the coordination and organisation of the collection of acceptances are described in the Instructions.
4. As part of the activity referred to by paragraph 1, letters a) and b), Monte Titoli also assists the bidder with the preparation of the terms and conditions to accept the offer, solely as regards the technical aspects pertaining to Monte Titoli as central depository, and provides the Intermediaries with the operational information and explanations necessary to manage the requirements related to the offer.

### **Article 56 – Entities that may use the PPO/ETO Service**

1. Entities who participate in the Settlement Service or who have identified a participant in the Settlement Service may participate in the PPO/ETO Service in order to permit the transfer to the bidder of the financial instruments made available by the participants in the offer and arrange the payment of the offer price.

## **CHAPTER – IX SERVICE FOR THE SOLICITATION OF DELEGATIONS**

### **Article 57 – Characteristics of the Service**

1. As part of the service for the solicitation of delegations, at the request of the promoter, Monte Titoli:

- transmits to intermediaries prior notification of the solicitation after receipt of the notice pursuant to article 136 of the Consolidated Law on Finance;
  - communicates to the promoter, for a specific accounting date, the ID data of the Intermediaries that hold the financial instruments on their central securities depository accounts and the number of financial instruments registered on the accounts assigned to them.
2. Entities who intend to file a solicitation for delegations pursuant to Title IV, Chapter II of Consob regulation no. 11971/1999 (Issuers Regulation), may participate in the Service.

## **TITLE III – RULES GOVERNING THE SETTLEMENT SERVICE AND INCIDENTAL SERVICES**

### **CHAPTER I – SETTLEMENT SERVICE**

#### **Article 58 - Characteristics of the Settlement Service**

1. The Settlement Service covers:
  - a) the acquisition of the Settlement instructions;
  - b) the matching;
  - c) the settlement of transactions.
2. Acquisition, matching and settlement occur in T2S and may cover Settlement instructions between Participants in Monte Titoli, or between a Participant in Monte Titoli different from a CSD in T2S, and a participant in another CSD in T2S. T2S allows for the settlement of Settlement Instructions pursuant to Legislative Decree no. 210/2001.
3. The acquisition of the Settlement instructions takes place through:
  - a) the X-TRM Service offered by Monte Titoli; or
  - b) systems connected to the T2S platform, operated by:
    - b.1) Markets and Central Counterparties acting as DCP and the CSDs, that input Settlement Instructions on behalf of their own participants and/or members by means of the power of attorney (POA) that shall be notified to Monte Titoli.
    - b.2) DCP Participants, different from Central Counterparties that input Settlement Instructions related to transactions to be settled on their own account or on their own account and on behalf of third parties.
4. Securities are settled on the participants' accounts, opened at Monte Titoli.
5. Cash settlement in euro takes place on the accounts of the participants or Agent Banks dedicated to processing of settlement in T2S.



## Article 59 – Categories of Participants and methods of participation

1. Access to the Settlement Service can be gained, in the capacity of participants, by assuming the obligations arising from the transfer orders within the scope of the system by central counterparties and central securities depositories and the following categories of entities:
  - a) Italian banks and EU banks, as defined in the Consolidated Law on Finance, as well as central banks and the Cassa Depositi e Prestiti, as bodies listed in Article 2(5) sub-paragraph 2 of Directive 2013/36/EU of the European Parliament and of the Council, dated 26 June 2013 pursuant to Article 1(1), letter h, no. 1 of the Finality Decree;
  - b) Italian investment firms (SIM) and EU investment firms, pursuant to Article 1(1), letter h, no. 2 of the Finality Decree;
  - c) firms in third-party countries that perform the same kind of activities as the entities referred to in letters a) and b) pursuant to Article 1(1), letter h, no. 4 of the Finality Decree;
  - d) public authorities, or public enterprises as defined in Article 8 of Regulation no. 3603/93 of the EC Council of 13 December 1993, such as Poste Italiane, the Italian Ministry of Finance (MEF) and the European Investment Bank, as well as businesses whose activities are guaranteed by the State, pursuant to Article 1(1), letter h, no. 3 of the Finality Decree;
  - e) issuers which do not perform the same kind of activities as the entities referred to in letters a) and b) and which participate in Notary Services and Maintenance Services as entities whose activity is significant as regards systemic risk, pursuant to Article 1(1), letter h, no. 5 of the Finality Decree;
  - f) financial intermediaries entered in the register kept by the Bank of Italy and referred to in Article 106 the Consolidated Law on Banking, and authorised to perform the activities covered by Article 1(5), letters c) and c)-bis, of the Consolidated Law on Finance and, exclusively with regard to the trading of derivative financial instruments, authorised to perform the activities covered by Article 1(5), letters a) and b), of the Consolidated Law on Finance, as entities whose activity is significant as regards systemic risk, pursuant to Article 1(1), letter h, no. 5 of the Finality Decree.
2. Issuers admitted pursuant to paragraph 1, letter e), take part in the Settlement Service solely for the purpose of settlement of free-of-payment transactions. The Settlement Instructions related to such transactions are acquired with the procedures described in the Instructions. The Issuers must also have procedures in place for maintaining accounts of securities. Upon request, these procedures shall be transmitted to Monte Titoli.
3. Enterprises from third-party countries which perform the same kind of activities as banks and investment firms, and also the central counterparties and central securities depositories of third-party countries can participate in the service provided Consob and the Bank of Italy have confirmed the existence of agreements with the corresponding Supervisory Authorities in the country of origin of the applicant. Monte

Titoli reserves the right to ask entities from third-party countries for specific information or the necessary certifications in order to assess the existence of the circumstances referred to in Article 89 (2) and (5) of the Delegated Regulation (EU) no. 2017/392.

4. Participation can be in one's own name and on one's own behalf or in the name and on behalf of third parties, using the corresponding securities accounts opened in the Monte Titoli accounting records system.
5. Participants can ask Monte Titoli to recognise their own customers as indirect participants provided that:
  - a) the customers fall under one of the categories referred to in paragraph 1, letters a), b) or c);
  - b) the participants use one or more securities accounts, opened in the Monte Titoli accounting records system, dedicated exclusively to the settlement of instructions pertinent to the customer that asks to be recognised as an indirect participant;
  - c) the customer identification data that the participants intend to recognise as indirect participants, and any of their amendments, are known to Monte Titoli for having been communicated by the participant to Monte Titoli for this purpose, using the procedures described in the Instructions.
  - d) limited to the entities referred to in paragraph 1 letter c), the participants have checked that there are no impediments to the substantial application of these Regulations and the Order of 2 August 2018 issued by the Bank of Italy in agreement with Consob pursuant to Article 10(4) of the Finality Decree, in the event of the opening of insolvency procedure against the entity which the participant intends to recognise as an indirect participant, taking account of the regulatory framework applicable thereto.

#### **Article 60 – Prerequisites for access to the Settlement Service**

1. In order to participate in the Settlement Service, the participants must continuously:
  - a) have a securities account at Monte Titoli;
  - b) for cash settlement, have accounts dedicated to the processing in T2S, or use an agent bank;
  - c) in order to send Settlement Instructions to the Settlement Service, make use of the X-TRM Service or other direct connection systems to the T2S platform that are adequate, compatible and suitable for interacting with the Settlement Service and use the specific technical protocols and standards for sending communications relating to Settlement Instructions. To check this requirement, Participants shall carry out the tests arranged by or required by Monte Titoli and notify it of the results.
2. DCP Participants must also:
  - a) equip themselves with business continuity plans, which provide for specific measures similar to those specified in the current regulations

- for critical processes, aimed at limiting interruptions to the Settlement Service in the event of unavailability of their own connection systems and shall inform Monte Titoli of this;
- b) stipulate a specific agreement with one of the *Network Service Providers*<sup>4</sup> indicated by the ECB;
  - c) send Monte Titoli the certification of conformity released by the ECB which certifies the suitability of their connection system, where required;
  - d) provide the name of the person in charge of and responsible for the connection to the T2S platform;
3. Participants using an agent bank for cash settlement must, in the event of withdrawal from the agreement with the Agent Bank, of the exclusion or suspension of the latter from the TARGET2 system, arrange for prompt substitution, advising Monte Titoli of this in a timely manner.

### **Article 61– Requirements for participation for DCP Participants**

1. The systems connected directly to the T2S platform, used by DCP Participants, shall ensure:
  - a) the integrity, accuracy and completeness of data concerning the Settlement Instructions, adopting appropriate technical measures;
  - b) the adoption of technical measures for information security and processing continuity;
  - c) that the individual Settlement Instructions sent to the Settlement Service are identified in such a way as to allow their univocal nature and correct order to be checked;
  - d) the use of authentication procedures by means of Settlement Instruction check digits that guarantee the correct origin and the integrity of the data received;
2. Participants authorised by Monte Titoli to act as DCPs, shall allow Monte Titoli, or its representatives, to perform in-house checks on the adequacy, suitability and compatibility of the system of connection and interaction with T2S and the requirements of the Regulations. The DCP Participant must have at its office adequate documentation regarding the architecture, functionality, operating procedures and service levels.
3. Monte Titoli reserves the right to limit the number of DCP Participants that a DCP Participant can connect to T2S in the event of (i) persistent technical problems affecting a significant number of Participants and/or if (ii) the DCP Participant is unable to modify their systems in order to make them compatible with updates made by T2S.
4. The DCP Participant may use connection systems developed on its behalf

<sup>4</sup> T2S Framework agreement Schedule 1 «Network service provider»: means a network service provider (NSP) that has concluded a Licence Agreement with the Eurosystem to provide Connectivity Services to T2S. It is a business or organisation providing the technical infrastructure, including hardware and software, to establish a secure and encrypted network connection that permits the exchange of information between T2S Actors and T2S.

by third-party suppliers or connection systems of other DCP Participants. In such cases the DCP Participant concerned must notify Monte Titoli and shall allow Monte Titoli to perform the in-house verification of the adequacy of the technological infrastructure also at the premises of the parties it relies on. The DCP Participant must maintain adequate documentation regarding the architecture, functionality, operating procedures, service levels, controls and contractual guarantees for the activities performed by third parties, including other DCP Participants.

### **Article 62 – Requirements for Agent Banks**

1. Participants may use a specifically appointed Agent Bank conferring it an appropriate mandate.
2. In the event of cash settlement through an Agent Bank, the latter must:
  - a) have accounts for cash settlement;
  - b) confirm to Monte Titoli its acceptance of its appointment by the participant, by means of a letter, with which the agent bank simultaneously undertakes to notify Monte Titoli of any withdrawal with no less than five days' notice.

### **Article 63 – Penalty mechanisms<sup>5</sup>**

1. In order to guarantee the proper use of the settlement process and minimise uncovered positions, Monte Titoli has the right to impose penalties on participants other than public authorities, which originated transactions which remained unsettled at the end of the settlement date due to a lack of either cash and/or securities.
2. The definition of the penalty system is contained in the Instructions.

### **Article 64 – Rules of Conduct**

1. Participants to the Settlement Service shall:
  - a) promptly issue the settlement Instructions relating to their operations and that of third parties;
  - b) monitor the cash and securities capacity in the accounts ensure the proper operation of the Settlement Service, in particular for the purpose of processing settlement Instructions.
2. In addition to the obligations referred to in paragraph 1, they shall;
  - a) adopt all the necessary measures to ensure that their connection system with the T2S platform functions properly at all times<sup>6</sup>;
  - b) ensure that they are able to manage the information required for their operations with T2S;
  - c) ensure prompt and efficient interaction with Monte Titoli and the

<sup>5</sup> This provision shall be the object of subsequent amendments so as to bring it into line with the provisions regarding settlement discipline.

<sup>6</sup> Article 11(3) of Framework Agreement "The Contracting CSD shall provide in its rules or contractual terms for an obligation to be imposed on its DCPs to use reasonable efforts to ensure that their connectivity with the T2S Platform functions properly at all times".

Eurosystem for the technical management of the connection to T2S in particular as regard the DCP Participant certification and crisis management<sup>7</sup>.

- d) promptly notify:
- i. any error in the T2S Data received and/or sent to/from T2S, for the purpose of Article 22(4) of the FA;
  - ii. any technical malfunctioning of the T2S connection systems and their subsequent reactivation, including any cases of disconnection from T2S decided by the Eurosystem, pursuant to Article 36(2) of the FA;

### **Article 65 - Financial instruments admitted to the Settlement System**

1. Financial instruments admitted to the Settlement Service are those initially registered with Monte Titoli or managed through links with other central depositories.
2. Monte Titoli may establish limitations to the operations of the Settlement Service in relation to some financial instruments where Market Specific Attributes (MSA) exist or restrictions have been set out by the CSD with which the financial instrument is centralised and subject to prior notice to the Participants.

### **Article 66 – Service Information Notices**

1. Monte Titoli provides, with frequency depending on the type of data, information notices concerning, among other things:
  - a) financial instruments admitted to the Settlement Service;
  - b) financial instruments which can be used as collateral with the Bank of Italy;
  - c) participants;
  - d) indirect participants;
  - e) central securities depositories in T2S;
  - f) calendar and operating hours
  - g) currencies in which it is possible to make cash settlements in T2S;
  - h) terms of reference and procedures for applying penalties;
  - i) time limits within which Monte Titoli on behalf of Market management companies and central counterparties sends settlement instructions to the Settlement Service;
  - j) indication of the market management companies or the central counterparties that allows for the change management of settlement instructions entered in the Settlement Service and/or concluded on their systems but entered by the participants.

<sup>7</sup> Article 12 (3) of Framework Agreement “Without prejudice to Article 1(4), in all matters covered by the subject matter of this Agreement, and without prejudice to its provisions, the Eurosystem can interact in particular with the Contracting CSD’s DCPs for the purposes of managing the technical connections to T2S, DCP Certification in user testing and crisis management.

2. The information is transmitted to participants, the Bank of Italy and to Consob by means of electronic information notices.
3. Information notices concerning the items indicated in letters e), f), g) of paragraph 1 are sent to the Bank of Italy and Consob with due advance notice.

## CHAPTER II - OPERATIONS OF THE SETTLEMENT SERVICE

### Article 67 – Phases of the Settlement Service

1. The Settlement Service includes the following operational phases:
  - a) acquisition of the settlement instructions;
  - b) matching of the settlement instructions;
  - c) settlement.
2. The functioning of the Service is detailed in the Operating Document called *T2S User Requirements*, approved by the ECB Governing Council and available on the following website: <http://www.ecb.europa.eu/paym/t2s/about/keydocs/html/index.en.html>

### Article 68 – Acquisition of settlement Instructions

1. Settlement instructions are acquired by the Settlement Service regarding:
  - a) individual transactions (DVP or FOP);
  - b) bilateral netting of securities and cash balances;
  - c) securities and cash balances, netted via interposition of a Central Counterparty.
2. During acquisition, the Settlement Services checks:
  - the completeness of the settlement instruction and its formal correctness to ensure the ensuing processing by the Service; and
  - the matching of the settlement instruction data with personal data found in T2S (common static data), as well as with any restrictions, including the matching of the financial instruments involved with the provisions of Article 86.
3. The validated settlement Instructions are forwarded to the subsequent phases of the service. Non-validated Settlement Instructions are rejected.
4. Settlement Instructions can establish that the settlement:
  - is connected to the settlement of linked instructions; or
  - is conditional on the occurrence of specific conditions outside T2S (Conditional Securities Delivery CoSD<sup>8</sup>).
5. Participants may also specify:

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<sup>8</sup> Conditional securities delivery in T2S refers to a procedure in which the final posting of securities and/or cash is dependent on the successful completion of an additional action or event external to T2S and confirmed by an administering party.

- the possibility of a partial settlement, within the limits allowed by the T2S system's functionalities; and
  - the rule priority of the settlement instruction entered, within the limits allowed by the functionalities of T2S and taking into account that Monte Titoli assigns priority to the settlement Instructions in which the counterparty is the Italian Ministry of Finance, those involving monetary policy transactions and those concerning transfer of collateral by the Bank of Italy and, subsequently, those coming from Market Management Companies.
6. Participants are informed of the result of the validation process.

### **Article 69 – Matching of Settlement Instructions**

1. The matching is carried out to check that the information corresponds to the settlement instructions entered.
2. The T2S system supplies the participants with complete disclosure regarding the status of the settlement instructions entered and the settlement instructions entered by the counterparty awaiting matching (allegation).
3. The matching checks referred to in paragraph 1 cover mandatory matching fields, but may also regard the non-mandatory matching fields.
4. Unmatched settlement instructions may be changed by the Participants, but only as regards status indicators.

### **Article 70 - Cancellation of the settlement Instructions**

1. Settlement Instructions may be unilaterally cancelled by the Participant which entered them up to the time of the matching, on condition that such Settlement Instructions were not entered as non-changeable.
2. Matched settlement Instructions may be cancelled bilaterally, with the consent of both Participants, or upon request of an entity acting on their behalf, subject to the prior submission to Monte Titoli of the relevant mandate.
3. Cancellations are sent by the Participants with the methods and the time frames provided for in the Instructions. They then go through the acquisition phase and, if referring to matched settlement Instructions, the matching phase. When the cancellations are matched, the original settlement Instructions are cancelled.
4. Market Management Companies and central counterparties may ask Monte Titoli to block these functionalities with regard to their settlement Instructions, according to the methods and conditions provided for in the operating rules for these systems and in accordance with the provisions for T2S.
5. Cancellations may also be entered by Monte Titoli at the request of the Participants and in the other cases established by the Rules, in accordance with the provisions above.
6. CoSD Settlement Instructions may only be cancelled by Monte Titoli.
7. Automatic cancellation of settlement instructions from the T2S platform is

disposed when instructions:

- a) have not passed the daily validation phase;
  - b) are not matched or are not settled within the time limits provided in the Instructions;
8. Participants are informed of the progress and outcome of the cancellation process and of any automatic cancellation of settlement Instructions, pursuant to the previous paragraph.

### **Article 71 – Hold of the Settlement Instructions**

1. The participant may hold the settlement of the settlement instructions entered by it so as not to subject them to settlement or hold the re-proposal of the Settlement Instructions not regulated, also partially, until there is a specific release, on condition that these Settlement Instructions have not been entered as non-changeable.
2. Market management companies and central counterparties may ask Monte Titoli to block the use of this functionality with regard to their settlement instructions, according to the methods and conditions provided for in the operating rules for these systems and in accordance with the provisions for T2S.
3. The settlement may also be put on hold by Monte Titoli, at the request of the participants and in the other cases established by the Rules, in accordance with the provisions above.

### **Article 72 – Input into the Settlement System and irrevocability of settlement Instructions**

1. Settlement Instructions are deemed “entered” into the Settlement System, pursuant to Article 2(2) of Legislative Decree 210/2001, from the moment the validation time in T2S ends (SF1).
2. Settlement Instructions cannot be revoked by a participant or a third party from the time of their matching in T2S (SF2), without prejudice to the bilateral cancellation of settlement Instructions provided for under Article 70 (2).
3. The transfer of securities and cash become final from the time of the debiting of the cash, or of the securities when settlement by cash is not provided for. (SF3)
4. In the event of an obvious technical error, at the request and under the responsibility of the Markets Management Companies and/or of the Central Counterparties, Monte Titoli will carry out the settlement Instructions transmitted within the context of the procedures for managing errors, in observance of the contents of Italian Legislative Decree 210/2001.
5. If an insolvency procedure is started against a participant or indirect participant, Monte Titoli promptly activates the operating procedures indicated in the Instructions, aimed at managing the settlement Instructions relating to the insolvent party. These procedures include:
6. in the event of an insolvent participant, the block: i) on the acquisition of new



settlement Instructions in the Settlement System that are attributable to the insolvent Participant; and ii) on amendments to Settlement Instructions already in the Settlement System that are attributable to the same entity;

- a) in the event of an insolvent Indirect participant, the block on the acquisition of Settlement Instructions in the Settlement System, attributable to the insolvent Indirect Participant that are already entered in the X-TRM Service;
- b) the cancellation from the Settlement System of the intra-CSD Settlement Instructions attributable to the insolvent subject, according to the procedure and deadlines set out in the Instructions; and
- c) the hold from settlement in the Settlement System of the cross-CSD settlement Instructions attributable to the insolvent entity, according to the procedure and deadlines set out in the Instructions.

In the event of an insolvent Indirect participant, which belongs to one of the categories under Article 58, paragraph 1, letters a) b), and c) the Settlement Service participant that settles transactions on behalf of the Indirect participant may, under its own responsibility, send new settlement Instructions to be drawn on the accounts referred to in Article 58, paragraph 4, letter b), for the exclusive purpose of exercising retention and security rights, within the limits provided by law.

1. The provisions referred to in paragraphs 1 and 2 shall apply to securities transfer orders.
2. The finality and irrevocability of cash transfer orders are governed by the provisions of the TARGET2 System, as provided for in Guideline ECB 2015/930 of 2 April 2015 amending Guideline ECB/2012/27 on a Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET2). Monte Titoli supplies the foregoing information in its Service Information Notices referred to in article 83.
3. Insolvency procedures referred to in paragraph 5 shall take into account the coordination of the moments of finality and irrevocability of transfer orders of securities and cash.

### **Article 73– Automatic mechanisms for posting Collateral**

1. The participants to the Settlement Service and/or their Agent Banks that have previously communicated their intention to avail themselves of the automatic mechanisms for posting Collateral must, with the methods and time frames provided for in the Instructions, indicate the securities accounts and/or the positions that can be used for collateralisation and the exposure limits to be considered in the settlement process.
2. The activation of the collateralisation mechanisms causes the automatic generation of settlement instructions by the Settlement Service. The settlement instructions arising from collateralisation are settled jointly with the original Settlement Instructions, relative to which the mechanism for posting Collateral was activated.

## Article 74 – Processing of the settlement Instructions

1. The settlement process includes a night-time phase and a day-time phase. In each phase the Settlement Instructions are processed on a gross basis.
2. In each phase, according to the eligibility criteria of the settlement Instructions, Monte Titoli settles:
  - a) the new settlement Instructions entered before each phase during the night-time settlement phase and in real-time during the daytime phase, including the instructions for realignment and those resulting from any corporate actions; and
  - b) the Settlement Instructions that remained unsettled in the previous phase.
3. The settlement Instructions are processed through the following steps:
  - a) check on the settlement status of the instruction;
  - b) check on the counterparties' securities and cash account capacities. This includes verifying whether resources are available as a result of collateralisation, as well as checking any exposure limits set by the Participant or its Agent Bank in the TARGET2 system;
  - c) if there is securities and cash capacity, T2S settles the securities by debiting the Seller and crediting the Purchaser with the amount of the transaction.
4. If a number of settlement instructions are handled jointly in the same phase for reasons of optimisation, T2S makes the checks referred to in letter b) of the previous paragraph, based on the net balance following the relevant settlement Instructions. If there is not enough capacity to settle the net balance, T2S identifies the settlement Instructions that cannot be settled and then, taking into account their characteristics:
  - checks the possibility of settling them through a collateralisation process, in the event of a cash deficit;
  - checks the possibility of partially settling them, in the event of a securities deficit.
5. Settlement Instructions that have not been settled because of insufficient securities or cash are re-proposed in the subsequent phase of the same settlement day or for settlement on the subsequent day, until they are settled or cancelled in accordance with the Article 70.
6. Participants may change settlement Instructions that have been proposed again, also partially, but only with regard to the status indicators, on condition that such settlement Instructions have not been entered as non-changeable.

## Article 75 – Sequence in Processing Settlement Instructions

1. To improve the efficiency of the settlement process, TS2 implements optimisation mechanisms aimed at maximising its outcome.
2. If several settlement Instructions make use of the resources available on the same securities or cash account, the optimisation process takes into account

the priority criteria for the management of settlement Instructions referred to in Article 68, paragraph 5. In the event of equal priority, the settlement Instructions with the earlier settlement date are settled first within the functioning limits of the T2S platform.

### **Article 76 – Management of non-settled Settlement Instructions (Corporate Action of Flow - CAoF)**

1. Monte Titoli may change or cancel the settlement Instructions that have not been settled on the established settlement date and concern financial instruments involved in corporate actions or, in relation to such Instructions, it may enter additional settlement Instructions aimed at rectifying the distorting impacts of the event. The operating procedures for the management of these settlement Instructions are set out in the Instructions.

### **Article 77 – Cross CSD Settlement**

1. If the settlement Instructions are to be settled between a Participant in Monte Titoli, different from another CSD in T2S and a participant in another CSD in T2S (cross CSD), T2S shall automatically carry out the movements between the securities accounts of the participants involved, of the Investor CSDs and of the Issuer CSD.
2. Monte Titoli does not envisage the possibility of carrying out a cross CSD settlement on securities if the Issuer CSD is outside of T2S, unless both investor CSDs have in place a link with another CSD in T2S so that the realignment with the Issuer CSD outside T2S is not necessary.

### **Article 78 – Disclosure regarding the progress of the process**

1. If requested by the Participants, Monte Titoli makes available the events that change the balance in their securities account, supplying in real time the settlement status of each transaction being processed, all the information useful for monitoring it, as well as the settlement of the whole transaction. This disclosure is made available through the direct link channel to T2S, or through the X-TRM Service.
2. If requested by the participants, Monte Titoli also makes available to the participants and/or to their agent bank the cash balance disclosure. This disclosure is processed and made available, according to the format and with the channels indicated in the Services Manuals.<sup>9</sup>

## **TITLE IV – INCIDENTAL SERVICES TO THE SETTLEMENT SERVICES**

### **CHAPTER I – THE FOREIGN SETTLEMENT SERVICE**

#### **Article 79– Characteristics of the Service**

1. The service covers the forwarding and settlement of the transfer orders on settlement systems operated by other CSDs which do not use the T2S platform, with which Monte Titoli has constituted an appropriate link.

<sup>9</sup>The information on the cash position will be made available after the migration to the T2S platform. The release date of this feature will be announced in a subsequent notice.

2. The transactions are settled on accounts opened by Monte Titoli in its own name and on its own behalf on settlement systems operated by CSDs which do not use the T2S platform and where possible, on payment systems used by them.
3. The acquisition of the settlement instructions of the participants to the service takes place through the X-TRM Service.
4. Monte Titoli forwards the settlement instructions to the systems operated by the CSDs outside T2S, after checking the availability of securities and, where applicable, of the cash on the accounts of the participants to the service.

### **Article 80 – Participants, requirements and methods of participation**

1. Participants to the Settlement Service can have access to the service.

### **Article 81 – Operations of the Foreign Settlement Service**

1. The settlement of the transactions takes place according to the methods and the rules of the system managed by the CSD with which Monte Titoli has constituted the connection. The main operating characteristics of these systems are described in the Operating Documents, published on the Monte Titoli website.
2. The settlement instructions are final and irrevocable according to the timeframes and rules, which are currently in force, in the system managed by the CSD outside T2S with which Monte Titoli has established the connection.
3. The settlement instructions are acquired by Monte Titoli in T2S in CoSD mode.
4. The participants the service can ask Monte Titoli to cancel the settlement instructions at the conditions established by article 70 and compatible with the functional rules of the system managed by the CSD with which Monte Titoli has established the connection.

### **Article 82 – Disclosure regarding the progress of the process**

1. If requested by the participants and within the limits of disclosure provided by the CSD with which Monte Titoli has constituted the connection, Monte Titoli makes available all the events that change the balance in their securities accounts, supplying in real time the settlement status of each settlement instruction being processed, all the other information useful for monitoring it, as well as the completion of the settlement instruction. This disclosure is made available through the direct link channel to T2S, or through the X-TRM Service.

### **Article 83 – Service Information Notices**

1. The service supplies, periodically according to the nature of the specific data, disclosure relative, among other things, to:
  - a) settlement systems managed by other CSDs outside T2S with which Monte Titoli has established a connection;
  - b) type of financial instruments admitted to connection with each of the

- systems referred to in the letter a) above;
  - c) the participants to the service;
  - d) any restrictions in the operations by category of participants, or their customers;
  - e) calendar and timetable of the operational day.
2. The notices relating to information referred to in letter e) of paragraph 1 are sent to the Bank of Italy and Consob in due advance.

## **CHAPTER II – THE X-TRM SERVICE**

### **Article 84 – Characteristics of the Service**

1. The X-TRM Service is the system that enables the forwarding of the Payment Instructions:
  - a) to the Settlement Service;
  - b) to the Foreign Settlement Service;
  - c) to the settlement systems managed by other CSDs, for the settlement between the participants and those CSDs both inside, or outside, of T2S, i.e. routing;
  - d) to the central counterparties.
2. The transactions are introduced in the X-TRM Service directly by the participants which have access to the service, or by the markets management companies, or the central counterparts, also on behalf of these. In this case the relations between Monte Titoli and markets management companies and/or the central counterparts are governed by specific agreements.

### **Article 85 – Entities**

1. The X-TRM Service may be used by the Participants in the Settlement Service, by the markets management companies and by the other entities allowed to trade by market management companies.

### **Article 86– Features of the X-TRM Service**

1. The X-TRM Service manages settlement Instructions, requests for cancellation and requests for hold / release of the settlement Instructions.
2. The settlement instructions entered in the X-TRM Service are processed as follows:
  - a) acquisition, which includes:
    1. validation, by type of settlement Instructions entered, which performs automated controls on the format and accuracy of the basic data of each transaction;

2. valuation, carried out only if there were no errors in the validation phase, which calculates the accounting value by transaction type;
  3. correction of settlement Instructions, which allows the users to change or cancel Settlement Instructions entered in the X-TRM Service. Correction of settlement Instructions, if it involves changes, is again subject to validation and valuation;
- b) matching, limited to those settlement Instructions subject to routing, pursuant to the previous article 83, paragraph 1, letter c), that have successfully passed the acquisition phase, which verifies the correspondence of data indicated for the same contract by the contracting parties, according to specific matching keys for each type of transaction;
  - c) at the request of Central Counterparties, or of the Markets, the calculation of securities and cash bilateral balances;
  - d) routing of Settlement instructions, according to the provisions in Article 58, paragraph 1.
3. The cancellation requests entered in the X-TRM Service, enable the Participants in X-TRM, within the timeframes given in the Service Information Notices referred to in article 87, to forward the cancellation request for unmatched, matched or proposed again settlement Instructions. The previous paragraph 2 is applied, if compatible. Cancellation requests can also be sent to the systems referred to in the previous Article 84, paragraph 1, letters b), c) and d), compatible with their functioning rules, as well as the forwarding to the settlement Service of the cancellations of the settlement Instructions not settled.
  4. The hold requests entered in the X-TRM Service, enable the individual Participants in X-TRM, within the timeframes indicated in the Service Information Notices referred to in article 85, to send to the Settlement Service the hold requests for the Settlement Instructions entered, not matched, matched or proposed again, up to a specific release instruction. The previous paragraph 2 is applied, if compatible.
  5. The Markets and Central Counterparties that use the X-TRM Service, or that establish that it is mandatory for their adherents to use the X-TRM Service, indicate to Monte Titoli:
    - if the functions referred to in the above paragraphs 3 and 4 are available regarding the Settlement Instructions entered by them, or finalised in their systems;
    - if, regarding the settlement Instructions entered by them, or finalised in their systems, it is established that the X-TRM Service automatically sends the cancellation request for the transactions not settled within a certain number of days [validity end date], specifying the timeframe.

Monte Titoli supplies the foregoing information in the Service Information Notices referred to in Article 87.
  6. The X-TRM Service supplies the X-TRM participants with complete information on the status of their settlement Instructions. Such information will be provided automatically, in the cases specified in the Operating Documents, as well as upon request of the participants themselves.

**Article 87 – Service Information Notices**

Monte Titoli supplies, periodically in accordance to the data type, disclosures that are relative, among other things, to the following:

- a) financial instruments admitted to the X-TRM Service;
- b) participants in the X-TRM Service;
- c) Markets and Central Counterparties that use the X-TRM Service and the relative operational methods, according to the provisions of Article 86, paragraph 5;
- d) calendar and timetable of the X-TRM Service.

**TITLE V – OTHER INCIDENTAL SERVICES****CHAPTER I – EASY ACCESS SERVICE****Article 88 – Characteristics of the Service**

1. Monte Titoli offers DCP Participants IT technological system and TS2 connection system management services. In this environment it acts as a third party as referred to in article 61, paragraph 4.
2. The Easy Access Service establishes, among other things, that Monte Titoli manages the communications between the Network Service Provider, with which the DCP Participant has the agreement referred to in Article 60, paragraph 2, letter b) and the DCP Participant.

**CHAPTER II – DATA SUPPLY SERVICE RELATED TO THE CENTRAL FINANCIAL INSTRUMENTS AND THE SERVICES PROVIDED****Article 89 – Characteristics of the service**

1. Monte Titoli elaborates, distributes and commercializes data concerning centralised financial instruments and other services managed by Monte Titoli, at the request of the participants and of persons other than participants.
2. The technical specifications of the information and the methods of communication, where not specified in the Instructions, are governed by specific contracts bilaterally negotiated by Monte Titoli on a non-discriminatory basis.



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