INSTRUCTIONS

TO SETTLEMENT SERVICE, AND RELATED INSTRUMENTAL ACTIVITIES

~~23 December 2024~~
30 June 2025

The Italian text shall prevail over the English version

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GENERAL PROVISIONS

This document contains the implementing provisions, cd "Instructions", the Operating Rules of the Settlement Service and the following activities related and instrumental:

- Border Settlement Service

- X-TRM Service

The Instructions must be read in conjunction with Document Operating T2S *User Requirements*, as regards the mode of operation of the T2S platform. Moreover, DCP Participants have to refer to DCP Guidelines for the procedure of the crisis management.

The articulation of the Instructions reflects the scope of operations of services offered and in particular:

TITLE 1: contains the implementing provisions of the Settlement Service concerning transactions between:

- Participants in Monte Titoli (cd intra CSD settlement); or

- Participants in Monte Titoli and participants to another CSD in T2S (cd cross CSD settlement).

TITLE 2: contains the implementing provisions of the Foreign Settlement Service relating to the settlement systems operated by others CSD that does not make use of the T2S platform and with which Monte Titoli has in place appropriate links, "link" (so-called external settlement).

TITLE 3: contains the implementing provisions of the X-TRM divided into:

- accessory features to the Settlement Service;

- features relating to the Foreign Settlement Service;

- accessory features to the forwarding operations to other settlement systems (cd. routing);

- features dedicated to central counterparties.

TITLE 4: contains the procedure for the management of operations related to an insolvent Participant or an insolvent Indirect Participant.

DEFINITIONS

The definitions of the Service Regulations are fully recalled with the same meaning.

In addition, in these instructions it is meant:

- CLIMP (Client Management Platform) is the web-based application developed for communication and information management services necessary for participation in the Monte Titoli.

- Remuneration: is the operation by which an intermediary transfers securities or cash to the counterparty with or without the corresponding movement of cash or securities;

- Contract: is the set of two operations, equal and opposite, found and communicated by two Participants X-TRM, or acquired from a market;

- Counterparty: as part of a single operation, is the subject Participant or Clearing Member, which acts as a non registrant of an operation;

- Operating day: the operating day of the Settlement Service

- Issuer: is the Participant or the Indirect Participant declaring an operation in X-TRM;

- Liquidator: Participant who regulates on its own and / or on behalf of other persons;

- Negotiator: is the Participant or the Indirect Participant participating in one or more regulated and unregulated markets;

- Bilateral Balance: is, for the same securities code, the algebraic sum (amount of securities and cash) of contracts concluded between two participants;

- X-TRM Participant: the entity that directly adheres to the X-TRM pre-settlement service.

1. IMPLEMENTING PROVISIONS OF THE SETTLEMENT SERVICE

1.1 CONNECTIVITY

1.1.1 Models of connection to the T2S platform

For the submission of transactions to Settlement Service, Participants can connect to T2S platform through:

- model of direct connectivity (Participants DCP): using technological systems that interact directly with the T2S platform for forwarding operations, certified by the ECB and authorized by Monte Titoli;

- model of indirect connectivity (Participants ICP): using the system for connection to the T2S platform of Monte Titoli whose features are regulated under the X-TRM Service Rules.

Issuers eligible to participate in the Settlement Service in accordance with Article 57, paragraph 1 of the Service Regulations, can enter settlement instructions relating to free-of-payment transfers only through X-TRM.

1.2 ADMISSION CRITERIA

1.2.1 Management of static data

The management of static data concerns the Participants, their clients and their Agent Banks.

The Participant, and its clients, set up is done by Monte Titoli according to the information communicated by the Participant itself through the web base application denominated CLIMP.

For the interaction with the Settlement Service, the Participants, and the Agent Banks, must have a unique LEI code. Failing that, it is not possible to proceed to the configuration of the Participant on the T2S platform and therefore Monte Titoli will not allow the start of operations of the same.

Pursuant to the Service Regulations, Participants may request to qualify as Indirect Participants their clients belonging to the categories referred to in paragraph 1 of the same article[1]. To this end Participants must:

a) communicate the name and the associated LEI code of each Indirect Participant;

b) associate to each Indirect Participant for which settlements are made, one or more securities accounts to be used exclusively to settling the Indirect Participant's settlement instructions.

The same subject may be qualified as an Indirect Participant in Monte Titoli's Settlement Service by more than one Participant, in accordance with the conditions indicated above.

The information will be provided trough CLIMP and the Participant shall kept update such data.

Monte Titoli keeps encoding Participants currently in use at the domestic level for interacting with its Services:

- ABI CODE code assigned by the Bank of Italy/Consob for banks, financial intermediaries, brokers and central counterparties.

- CODE MT has the same standard ABI and often it corresponds with it. It may be assigned by Monte Titoli for specific subjects that can not have an ABI code (e.g. non-banks).

- CED CODE assigned by SIA or Monte Titoli.

- LEI CODE11 assigned by Local Operating Unit (LOU).

Monte Titoli manages the correspondence between the LEI codes used for the Settlement Service and encodings used for other services offered.

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[1] Pursuant to article 6, of the Rules of the Settlement Service, may be qualify as Indirect Participants:
a) Italian, EU and non-EU banks, pursuant to article 1, paragraph 1 of Italian Legislative Decree 385/93;
b) Italian investment firms (SIM) and EU and non-EU investment firms;
c) Italian asset management companies (SGR) provided by article 1, paragraph 1 lett. o) of CLF, with the exception of the provisions of article 36 paragraph 2 of CLF;
d) Stockbrokers entered in the single national roll provided for in article 201 of CLF;
e) central banks;
f) foreign CSD entities;
g) central counterparties;
h) financial intermediaries entered in the register kept by the Bank of Italy referred to in Article 106 of the CLB and authorized to exercise the activities provided for in article 1, paragraph lett. c) and c)-bis of Legislative Decree as well as, to the limited extent of the activity on derivatives, authorized to the activity provided for in article 1, paragraph 5, lett. a) and b) of CLF;
i) Poste Italiane S.p.a.;
j) Cassa Depositi e Prestiti
l) Italian Ministry of Finance.

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Participants may ask Monte Titoli to change the static data in the manner described in paragraph 1.2.3.

1.2.2 Structure of Accounts

Monte Titoli opens and maintains securities accounts in the name and on behalf of its Participants, regardless of connectivity model which they select (or DCP Participants ICP).

The securities accounts must be connected to a dedicated account (DCA) for cash settlement in central bank money at the T2S platform and also for the purpose of the processes of self-collateralization.

Monte Titoli configures connections between DCA and securities accounts in accordance with guidance provided by the Participants.

1.2.3 Updating the operating conditions of the Participants

Participants communicate and ask Monte Titoli changing operating conditions specified by the time of the Settlement Service via web application (CLIMP).

In case of temporary unavailability of the web application, the Participants may send notices or requests for update via e-mail at mdm@lseg.com

Monte Titoli will update the operating conditions normally within 5 days from the moment the request has been produced complete of all the information needed to handle the request, which shall be entered through CLIMP platform. Monte Titoli confirms the completeness of the documentation by sending back an e-mail. Where the update requires operational interventions particularly complex (for example, in cases where the update requires the prior acceptance of or interaction with a third party) or in cases of requests for massive update. Monte Titoli reserves the right to apply for a longer term, upon notice to the Participant.

Participants may also, ask Monte Titoli to modify their operational conditions with a reduced timing in respect of the one referred to in the preceding paragraph (so-called ''urgent request'') (e.g. modification of the DCA account).

In such case, Monte Titoli confirms to the Participant the operational timing and communicates the modalities and the fees for the management of the operation. Monte Titoli shall reserve itself the right not to proceed with the request with a reduced timing for justified operational reasons.

In order to facilitate the management of the urgent requests, Monte Titoli may establish specific procedures described in the Operating Documents that Participants shall accomplish[2].

Urgent requests must be received by Monte Titoli by e-mail at mdm@lseg.com by 4 p.m.. Requests received after this deadline shall be deemed as received on the following day.

Fees for the management of urgent requests are indicated in the *Pricelist.*

Given the requests received by intermediaries, a the procedure to update operational conditions with a reduced timing is provided upon request (so-called "urgent request"). With reference to the timing of the standard procedure to manage static data, it is clarified the moment from which 5 days are counted.

1.2.4 Fees and procedures for exercising the right of retention

Pursuant to the Service Regulations, Monte Titoli may exercise a right of retention on the securities owned by the Participant in the accounts properties held through Monte Titoli as follows.

In case of non-payment of fees for the provision of settlement services and activities connected with and as detailed in the Price List, Monte Titoli experienced every other attempt to obtain payment of the claim amicably, requires the Participant via registered mail the payment of all sums due in respect of fees as well as interest from the due date of payment until the actual balance within 30 working days from receipt of the notice, with the warning that failing will proceed to exercise the right of retention pursuant to the Service Regulations, placing the block accounting on financial instruments on the securities account of the Participant to a value corresponding to the amount of fees not paid plus interest from the date of the interest payment due until actual payment.

The deadline of 30 days, if the Participant has not paid the amount due, Monte Titoli will start blocking procedure on securities registered in the account belonging to the Participant, as above, by communicating to the same date by which the block will be activated, indicating the ISIN lock object.

To exercise the right to retain securities will be assessed:

- for financial instruments traded on regulated markets, on the basis of the reference prices of the market the day before the affixing of the block;

- for financial instruments not traded on regulated markets (or in the absence of price) at face value.

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[2] At present Monte Titoli has defined the following operating procedures: "urgent procedure for changing the DCA."

The participant also authorizes Monte Titoli to obtain income arising from monetary financial instruments subject of the lien to the extent of amounts due plus any interest from the due date of payment.

Monte Titoli will notify to the Participant the amounts in writing so received and will credit any amount in excess of the amount of outstanding claims against the Participant in accordance with the procedures for managing corporate transactions provided for in the Instructions of the Centralized Administration Service.

If the Participant to make payment of the amount due after the disposal of the block or in cases where the monetary proceeds received by Monte Titoli contribute to the fulfillment of the credits earned, Monte Titoli shall remove the book from securities owned by the Participant that will be immediately available, notifying the Participant.

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1.3 OPERATION OF THE SETTLEMENT SERVICE

The Settlement Service is operated by the T2S platform and enables settlement of transactions:

- between two Participants in Monte Titoli (cd. Intra CSD Settlement);

- between a Participant in Monte Titoli and a participant in another CSD in T2S (cross-CSD settlement), within the limits laid down in Article 27 of the Operating Rules;

Participants may enter settlement instructions to be settled in modality intra and cross CSD through connectivity models directly or indirectly.

Settlement Instructions entered through indirect connection, before forwarding to T2S shall be subject to the processes specified in the subsequent chapter relating to the X-TRM Service.

Settlement Instructions entered through a direct connection are subject only to the processes provided by T2S platform.

Although not expressly specified or detailed in this document, with reference to the acquisition mode, matching and settlement of transactions, please refer to Document Operating T2S User Requirements.

1.3.1 Operational Day of the Settlement Service

The Operational Day of Settlement Service consists of the following phases:

- start of the day (SOD) from 18:45 CET to 19:30 CET;
- night-time settlement (NTS) from 19:30 CET to 03:00 CET;[3]
- maintenance window (MWI) from 03:00 CET to 05:00 CET;
- real-time settlement (RTS) from 05.00 CET to 18:00 CET;
- Closing of the day (EOD) from 18:00 CET to 18:45 CET.

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[3] In the case in which the phase NTS is completed before 03:00 CET, immediately begins the phase RTS immediately after the completion of phase NTS around 23:30 CET before the beginning of the phase MWI programmed to 03:00 CET.

START- UP PHASE (SOD)

The start-up phase includes the following activities:

- Changing of the date of settlement in T2S;
- Preparation of the night-settlement phase NTS:
  - Validation of settlement instructions and maintenance not settled or executed on the settlement date scheduled (ISD);
  - data acquisition by the Collateral Management Systems (CMS) and the Payment Systems / Agent Bank sent later in the day. (nb 19 hour cut-off for sending data valid for the date of settlement in progress);
- valuation of securities positions;
- evaluation of Settlement Instructions eligible for the mechanisms of collateralization.

During the startup phase operations are not settled

During the start-up phase Settlement Instructions can be entered to be processed during the night-time settlement.

NIGHT SETTLEMENT (19:30 CET - 03:00 CET)

The night-time settlement phase (NTS) provides for the development:

- Of new settlement instructions, restrictions and liquidity transfers;
- of settlement instructions previously not settled

In the course of the night-time settlement, the settlement instructions, restrictions and liquidity transfers are processed in two settlement cycles divided into predetermined sequences as shown in the following table:
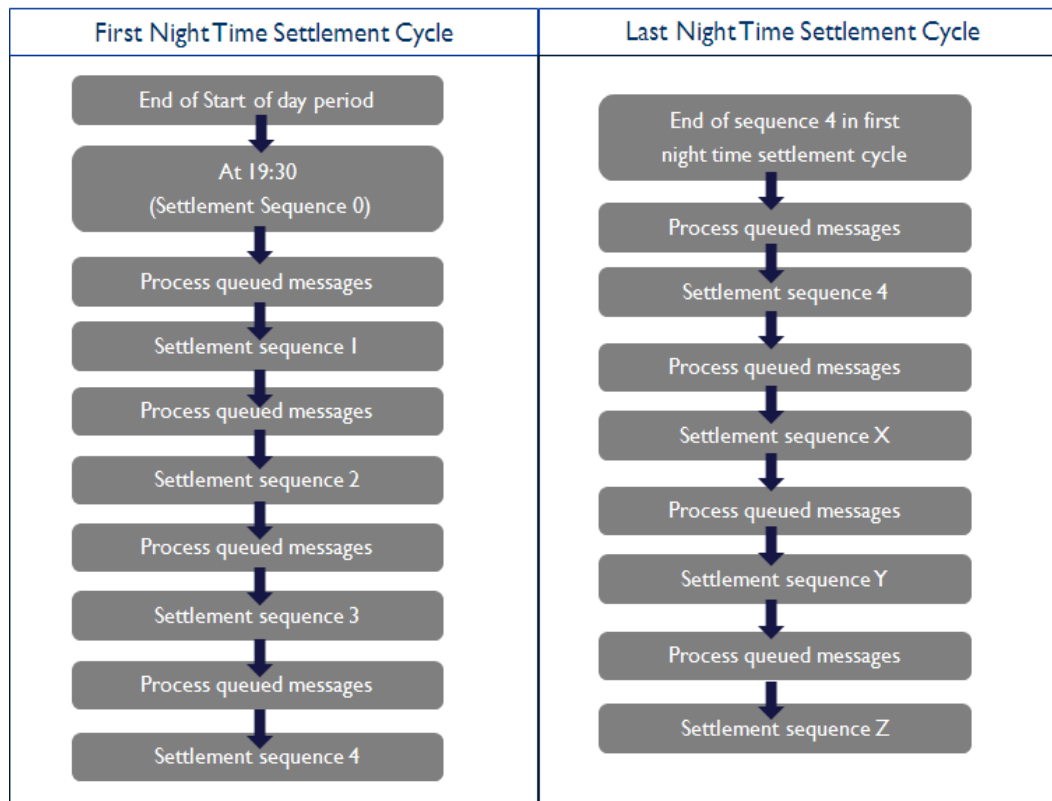
At this stage it is allowed to acquire management instructions (maintenance) of settlement instructions and the modification of static data.

In case of static data updates, T2S performs validation of the related settlement instructions and restrictions to ensure that they are consistent with the updating of static data.

Some sequences of night time settlement phase are dedicated to specific execution of the following tasks:

- sequence 0: is dedicated to the transfer of liquidity (inbound, internal and other restrictions on the cash settlement);

- Sequence 1: runs the settlement of Instructions for corporate actions on stock, the new liquidity transfers to new restrictions on cash settlement and all restrictions on the cash settlement is not regulated in the previous sequence;

- sequence X: runs the partial settlement of all instructions partialized and not adjusted for lack of securities or cash;

- sequence Y: processes the repayments liquidity. This procedure involves repayment processing a series of transfers of cash out of a DCA to RTGS accounts in accordance with a predetermined sequence of repayment.

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WINDOW MANAGEMENT (MAINTENANCE) (03:00 CET - 05:00 CET)

The window management "maintenance" (MWI) is dedicated to the development of all posts interface inbound and outbound platform T2S no other process is available.

REAL-TIME SETTLEMENT PAHSE (05:00 CET - 18:00 CET)

The real-time settlement phase (RTS) starts at the end of the phase of night time settlement (NTS).

The settlement phase in real-time includes:

1. preparation of the real-time settlement: The platform identifies the new settlement instructions, the instructions for the management of settlement instructions and liquidity transfers from the regular day. The platform identifies all settlement instructions and maintenance, unregulated and / or partially executed during the night time settlement and recycles during the real-time settlement (RTS);

2. execution of the real-time settlement: provides two windows of partial settlement to optimize the value and volume of settlement transactions (first dialog partial liquidation 14:00 CET- 14:15 CET; second window partial liquidation (15 : 45 CET- 16:00 CET, 15 minutes before the cut-off DVP);

3. the end of settlement in real time with different cut-off for the settlement instructions to the restrictions of Regulation and cash transfers. It provides for the execution of the following processes:

Hours (CET)	T2S SETTLEMENT DAY EVENTS / PROCESSES
16:00	DVP cut-off
16:00	Cut - off restrictions settlement cash
	Release of restrictions settlement cash not activated
16:30	Automatic redemption
	Optional cash sweep (standing liquidity transfers)
17:40	Cut-off for treasury management operations agreed bilaterally (BATM)
17:40	Cut-off per Operations of the Central Bank (CBO)

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17:45	Cut-off for Liquidity transfers (Inbound)
	Automated cash sweep
18:00	Cut-off for the restrictions in securities settlement
18:00	FOP cut-off

CLOSING OF THE DAY (18:00 CET - 18:45 CET)

The Operationing Day of Settlement Service ends at 18:00 CET.

Subsequently the cut-off and up at 18:45 CET, the following events take place:

- engine shutdown settlement;
- recycling (transition to the next settlement day) and elimination of settlement instructions are no longer valid (e.g. in the case of title expired or no longer exists);
- closing of the day and send to the information

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1.4 MANAGEMENT OF OPERATIONS IN CASE OF CORPORATE EVENTS (CD CORPORATE ACTION ON FLOW)

The management of unsettled transactions in financial instruments of corporate actions includes the following processes based on the corporate event on the financial instrument:

a) Management of Market Claim

b) Management of Transformation

The management of these processes is available only through X-TRM.

The management process of Market Claim allows to recognize to the receiving counterparty in an unregulated transaction (fail) the income distributed as part of a corporate action relating to the securities subject to the transaction in fail.

The management process of Transformation allows to recognize to the receiving counterparty in an unregulated transaction (fail), the securities or the proceed resulting as part of a corporate action relating to the securities subject to the transaction in fail.

The management processes of Market Claim & Transformation are not available if the regulation underlying transaction involving a CSD outside T2S (cd external settlement) and in cases where the corporate operation is not managed within the Monte Titoli systems. In this latter case, participants must provide for the management of Market Claims and Transformation by deleting the fail settlement instructions and entering the corresponding settlement instructions, in line with the procedures described below.

The Settlement Service operates solely Market Claim & Transformation in currencies allowed in T2S and cleared on the same cash account on which the settlement of the pending transaction is provided[4].

Both processes require identification by Monte Titoli - according to specific rules for each process - of transactions in financial instruments which may result in a Market Claim or a Transformation (cd pending transactions).

The identification process is carried out at the close of Operating Day of Settlement Service and before the stage night-time settlement (NTS).

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[4] Where necessary, the countervalue of the CLAI instruction is calculated on the basis of the exchange rate fixing of the ECB recorded at the record date.

The management processes of Claim Market and Transformation apply to all types of transactions processed by the Settlement Service except instructions realignment generated automatically by T2S.

The Participants, markets and central counterparties may exclude certain transactions from the management process of Market Claim or Transformation, valuing the appropriate indicator OPT-OUT.

1.4.1 Market Claim

- *Operations that originate a Market Claim*

The process of managing the Market Claim is executed when the following corporate transactions (cd. Distributions) occurs:

- Payment of dividends (including mixed dividends);
- payment income units of closed-end funds;
- coupon payment ;
- free share allocation;
- option rights assignment (related to capital increase free or paid)
- reimbursement with pool factor.

The transaction giving rise to the Market Claim are identified according to the following rules.

For transactions involving financial instruments denominated in units (e.g. Shares and similar securities)

Monte Titoli identifies relevant transactions:

- for transactions coming from guaranteed or non-guaranteed market, according to the EX-date established according to the trading calendar of the markets. All contracts negotiated by the end of the accounting day previous of the EX-date (ED-1) relate to securities CUM. Contracts negotiated from the EX-date relate to securities EX,
- for transactions concluded OTC according to the CUM or EX indicator entered by the counterparties, for the management of Market Claim. In that case is not taken into account the trading date for the identification of pending transactions.

In this context, the transaction giving rise to Market Claims are:

a) matched and not settled by the Record Date;

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b) not matched at the Record Date, but matched within the period of identification;

c) submitted to the T2S system after the Record Date, referred to securities CUM, and matched within the period of identification.

For transactions involving bonds and similar securities ("nominal")

The Market Claim are only generated for transactions with the Intended Settlement Date preceding or coinciding with the Record Date and not settled by that date.

The Market Claim are also generated by transactions involving financial instruments traded EX and settled before the Record Date (cd. Reverse Market Claim), unless such operations bear an indicator CUM. In this case the gain is recognized to the deliverying party.

The process of managing the Market Claim can be excluded according to the rules specified:

- by the markets, for all transactions therein negotiated if not guaranteed by central counterparties;

- by the CCP for all guaranteed transactions;

- by the Participants for each OTC contract.

The operations that bear the indicator "OPT-OUT = Y" are excluded from the management of Market Claim or Claim Reverse Market.

- *Timing of identification process*

Monte Titoli identifies the Settlement Instructions potentially subject to Market Claim, cd. *pending* operations, from the Record Date of the corporate action for the twenty following Settlement Service Operating Days(RD+20).

The identification process is repeated daily with batch mode at the same time, for the duration of the period of the identification (detection period), in order to verify the possible change of state (from "unmatched " to "matched") of contracts involving securities CUM unmatched on Record Date (as evidence produced to the same Record Date), or to identify any transactions entered after the Record Date but with Trade Date before Ex Date (or indicator CUM = Yes) .

- *Generation of the settlement Instructions for the management of the Market Claim*

Settlement Instructions generated for the management of Market Claim are coded as ''CLAI''.

The process of generating Market Claim will not erase the original operation in fail.
At the Record Date Monte Titoli download data of matched transactions not settled at that date. CLAI Settlement instructions are generated before the beginning of the night time settlement cycle.

Pending transactions unmatched at Record Date generate Market Claims at the end of the day in which they are matched (before the end of the detection period).

For the purposes of the reconciliation process, the instruction "CLAI" contains at least the following information:

- Participant's ID counterpart in the transaction that generates the Market Claim;

- the identification of the transaction that generates the Market Claim;

- the identifier of the corporate action , as assigned by the Issuer CSD;

- the trade date, Trade Date (TD), coinciding with the Trade Date of the original transaction;

- the Intended Settlement Date (ISD), coinciding with the scheduled payment date of the corporate action;

- the value or the amount of financial instruments covered by the Market Claim[5].

- the same indicator of the original transaction for partial settlement (applicable only in case of Market Claim on financial instruments because the Market Claim for cash amounts can not be partially settled);

- the same status on-hold / released of the original transaction whatever is the origin of the transaction (the market, CCP, OTC). Participants in the event of a change of the status of the original transaction are expected to change in the same way the status of the CLAI transaction.

CLAI Instructions relating to unsettled transactions intra-CSD are matched from the time of generation.

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[5] For corporate action involving the payment of monetary amounts (called cash *distribution*), the countervalue of the Market Claim is equal to the product of the quantity of shares / nominal value of the securities of the original transaction, multiplied by the unitary value of the corporate action (gross dividend amount per unit; interest rate).

For transactions involving the allocation of financial instruments (called securities distribution) the amount of shares / nominal value of financial instruments of CLAI instruction is equal to the amount of shares / nominal value of the original transaction, multiplied by the number of financial instruments distributed, according to the ratio established by the issuer.

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CLAI Instructions concerning transactions to be settled cross-CSD are forwarded by Monte Titoli to the T2S platform for the purposes of matching with the settlement instruction generated by the CSD of the counterparty of the Monte Titoli Participant.

CLAI Instructions related to OTC transactions can be deleted by Participants according to the with the rules and the general conditions applicable to OTC settlement instructions, while those relating to guaranteed transactions or Market transactions are canceled by Monte Titoli according to the Markets or the Central Counterparties request.

Central Counterparties can be counterpart in withdrawal or delivery of Market Claim.

- *Market Claim Settlement*

The Market Claim for payment of amounts in cash can not be partially settled.

The Market Claim on financial instruments can be partially settled.

Settlement of CLAI instructions can not be connected to other CLAI instructions (linkages).

CLAI instructions can not be included in a pool".

- *Market Claim in connection with corporate events with Antedated Record Date*

If during the period of identification of pending transactions the system detects:

a) details of a new corporate event whose Record Date coincides with a date earlier than the current; or
b) the change of the Record Date of a corporate event already known by the system, anticipated to the current date;

Monte Titoli automatically manages the Market Claim according to the state of the underlying at the close of the accounting day coinciding with the new Record Date.

Particularly in the <u>case a</u>), Monte Titoli detected the corporate event Record Date in the past but within the *detection period*:

- For unmatched pending transactions at the Record Date (in the past) generates the Market Claim only if the matching occurs subsequently to

the Record Date and until the Accoutig Date of the corporate action detection;

▪ for all operations settled at the Record Date (in the past), but traded from the Ex Date, Monte Titoli generates the Reverse Market Claim.

In the <u>case b)</u> Monte Titoli manages the Market Claim according to general rules, provided that the backdating of the Record Date is within the detection period.

All other cases of modification of the Record Date:

▪ will be managed by manually according to what is communicated via messaging service or equivalent;
▪ it is up to the Participants to act on the Market Claim already generated.

- *Reporting to Monte Titoli Participants*

Reporting related to the process of managing Market Claims, is made available via the X-TRM for Participants ICP.

DCP Participants will receive the information produced by the T2S platform, as it is provided for information relative to all other transactions settled by the Settlement Service.

For Participants that use RNI messaging, Monte Titoli will send the notification message 7B2 of the generation of CLAI instruction (message type forecast).

1.4.2 Transformation

Monte Titoli manages the process of creating Transformations of corporate mandatory transactions (mandatory reorganization with or without options) or voluntary (limited to the only or last period of the year and for which applies the default option), such as:

▪ Total or partial reimbursement of the securities;
▪ exercise option right (as part of a capital increase for a fee, free or mixed);
▪ exercise of warrants (single or last exercise period);
▪ compulsory and optional conversion (last conversion period)
▪ groupings, splits, mergers and demergers.

Monte Titoli does not automatically manage the cancellation and Transformation for the voluntary corporate event (voluntary reorganization).

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The Transformation are generated by transactions matched but not settled before the Record Date (cd. Operations pending).

Monte Titoli proceeds to identify settlement instructions potentially subject to Transformation, from the Record Date of the current corporate action until the 20th Business Day after the record date (RD+20).

- *Timing of identification process*

Monte Titoli proceeds to identify settlement instructions potentially subject to Transformation, from the Record Date of the current corporate action until the 20th Business Day after the record date (RD+20).

The identification process is repeated daily in batch mode at the same time, for the entire duration of the identification period (detection period), in order to verify any change in the status (from "unmatched" to "matched") of transactions involving that were still not matched at the Record Date.

- *Generation of the Settlement Instructions for the management of the Transformation*

The process of managing Transformations involves the cancellation of the Settlement Instruction related to the original transaction and the enter of a new Settlement Instruction (TRAN).

Unmatched pending transactions at the Record Date generate Transformation at the close of the accounting day on which they are matched if this occurs within the detection period.

In the case of <u>mandatory corporate events that do not provide the exercise of options</u> in favor of persons entitled to participate, Monte Titoli automatically deletes the original settlement instructions transaction in fail and enter the Instruction TRAN.

In the case of <u>mandatory corporate events that allow the exercise of an option</u> to the parties entitled to participate, it is up to the counterparties of the original transaction in *fail* to delete it and enter a settlement instruction which terms must reflect the Buyer Protection. For the management of Buyer Protection it has to make reference to the market practice for OTC transactions, and to the rules of the Markets and of the CCPs respectively for unguaranteed and guaranteed market transactions.

In the absence, Monte Titoli at the Market Deadline performs the process of Transformation according to the default option provided by the Issuer.

In the case of <u>voluntary corporate actions</u>, it is up to the original counterparties in fail to delete and reinsert the settlement instruction. In the absence Monte Titoli does not perform the process of Transformation.

TRAN instruction must include at least the following information:

- Reference to the counterparty of the *pending* transaction that generates the Transformation;
- The identification of the pending transaction that generate to the Transformation
- The identification of the corporate action in progress
- The Trade Date, coinciding with the Trade Date of the *pending* transaction;
- The Settlement Date, that is the higher between the Intended Settlement Date of the pending transaction and the date of execution of the corporate event;
- the ISIN code of the new instruction is the same of the security distributed from the corporate event, according to the report established by the Issuer;
- indicator on-hold / release and partialisation equal to those of the *pending* operation.

In the event that the corporate event provides the recognition of multiple securities, for each security will be created an instruction TRAN. In this case if the original transaction was DVP, the value of the transaction will be split a number of new DVP instructions corresponding to the number of the TRAN operations arising from the Transformation. The value of each DVP transaction will be proportional to the amount / nominal value of the financial instruments referred to each TRAN instruction.

In the event of option rights resulting from capital increases, on the Market Deadline Monte Titoli shall cancel the original settlement instruction and shall enter a PFOD instruction in which the participant, previously in delivery of the right, recognizes to the counterpart an amount equal to the countervalue of the cancelled transaction.

In the event that the corporate event provides only the recognition of a cash amount (e.g. total reimbursement), the pending transaction it is cancelled and replaced by two TRAN instructions, one for the countervalue of the pending transaction and one for the value for the reimbursement of the financial instrument (for the possible recognition of the coupon please refer to the procedure of the management of the Market Claim).

TRAN Instructions generated against unsettled transactions intra-CSD are matched from the time of generation.

TRAN Instructions generated against transactions to be settled cross-CSD are forwarded by Monte Titoli to the T2S platform for the purposes of matching with the settlement instruction generated by the CSD of the counterparty of the Monte Titoli Participant.

TRAN Instructions related to OTC transactions can be deleted by Participants according to the rules and the general conditions applicable to other OTC settlement instructions, while those relating to guaranteed transactions or Market transactions are canceled by Monte Titoli according to the Markets or the Central Counterparties request.

TRAN instructions can not be connected to each other, or be part of a pool.

TRAN instructions can bear the information that the original operation was linked to other instructions, but it does not bear the ID of the linked one.

- *Reporting to Monte Ttitoli Participants*

The reporting relating to the management of Transformation is avaible trough X-TRM Service for the ICP Participants.

DCP Participants will receive the information produced by the T2S platform, as it is provided for all the others transactions settled by the Settlement Service

1.5 PENALTY SYSTEM

1.5.1 Amendment of daily penalty reports

The request for amendment of the daily penalty reports must be sent by 6:00 p.m. on the 10th (tenth) business day of the month of payment, by email to the following address mt-penaltyappealperiod@euronext.com using the template available on Monte Titoli's web site. Monte Titoli shall acknowledge the request within 2 business days of its receipt. The central depositories participating in Monte Titoli may request amendments to the daily reports by 6:00 p.m. on the 11th (eleventh) business day of the month of payment.

1.5.2 Monthly reporting (bilateral balances)

By the 14th (fourteenth) penalties business day of each calendar month, Monte Titoli sends the Participants specific reports showing the amounts of the penalties applied in the previous month, aggregated into bilateral balances by counterparty and broken down by settlement currency.

In the case of penalties applied to cross-CSD Settlement Instructions, the bilateral balances show the CSD of the counterparty of the Settlement Instruction as the counterparty.

1.5.3 Collection and redistribution of penalties

Monte Titoli uses a dedicated account in TARGET 2 for the collection of penalties in euro or a dedicated account in commercial bank money for the collection of penalties in currencies other than the Euro. For the debiting and crediting of penalties in currencies other than euros, the opening calendar of the payment system of the settlement currency shall be taken into account.

The Participants must pay the cash penalty amounts by the 17th (seventeenth) penalties business day of the following month for TARGET 2 payments or by 11 a.m. on the same day for non-euro currency payments made in commercial bank money. If the 17th penalties business day is a closing day of the payment system for the currency other than the Euro, the penalties must be settled by 11 a.m. on the next business day.

For the debiting and crediting of penalties in euros the Participants may choose to use either:

  a) a DCA account associated with the proprietary securities account, or with the third-party account, already used for the settlement of transactions within the Settlement System;

  b) a dedicated DCA account to be set up directly through the CLIMP platform.

The debiting and crediting of penalties in currencies other than euros takes place on the accounts used to manage corporate actions other than euros.

By the 15th penalties business day of each month, Monte Titoli:

  1. calculates the net multilateral balances aggregated by Participant/CSD/Currency;

  2. enters pool PFOD settlement instructions for the collection of debit penalties with a settlement date equal to the 17th penalties business day of the month;

  3. enters the (non-pooled) PFOD instructions in "suspended" settlement status for the distribution of the credit penalties.

The PFOD settlement instructions related to "intra-CSD" transactions are entered as already acknowledged.

The PFOD "cross-CSD" settlement instructions are entered as to be acknowledged.

The Participants can check the settlement status of the credit and debit PFOD instructions via a web platform. The DCP Participants may also consult the T2S platform.

The debiting and crediting of penalties in currencies other than the euro takes place according to the procedures used for amounts deriving from the management of corporate actions in currencies other than the euro.

Monte Titoli provides for the redistribution of penalties only if the collection has been completed in full.

1.5.4 Contingency procedure in the event of non-payment

In the event of non-payment of amounts by one or more Participants, Monte Titoli under the terms of paragraph 1.5.3 recalculates the multilateral net balances for each Participant, excluding the debit and credit amounts of the Participant for which payment has not been made, and sends a new report to the Participants.

For the purpose of the collection and distribution of unpaid penalties, the Participants enter PFOD Settlement Instructions with a settlement date on or before the last penalties business day of the month of payment and notify it to Monte Titoli.

1.6. AUTOMATIC CANCELLATION OF SETTLEMENT INSTRUCTIONS

Pursuant to Article 70, paragraph 7(b) of the Service Regulations, settlement instructions are automatically cancelled from the T2S platform when they are:
   a) not matched within 20 working days of the planned settlement date;
   b) matched and not settled within 60 working days of the expected settlement date or since the last status change, if later.

2 IMPLEMENTING PROVISIONS OF REGULATION OF FOREIGN SERVICE (EXTERNAL SETTLEMENT)

2.1 GENERAL PROVISIONS

2.1.1 OPERATIVE Documentation

Monte Titoli operates within the Foreign Settlement Services pursuant to their corresponding regulations.

Monte Titoli also provides for the Operating Documents, which contain the operating provisions regarding each Foreign Settlement System.

Such Operating Documents shall be read together with these provisions and are available to the participants through publication in the dedicated section of Monte Titoli's web site (www.montetitoli.it).

2.1.2 Relationship between Monte Titoli and Participants

Participants to the Service provide, directly or indirectly, the information regarding their clients and the transactions carried out on their behalf, if required by the Foreign Settlement Systems in which Monte Titoli participates, or by any other authority/body entitled to request such information.

Whereas the Foreign Settlement Systems connected to Monte Titoli apply penalties (including but not limited to: failing settlement when due, or late matching with respect to time limits envisaged by the Cross-Border System), Monte Titoli reiterates the charge of the Foreign Settlement System on the account of the intermediary to whom the penalty is to be applied. If the penalty is in currencies other than Euro, Monte Titoli charges as a matter of course the account of the intermediary for the corresponding amount based on the exchange rate in force at the charging date[6]. Penalties will be charged to the intermediaries' accounts without any further charge, and upon prior notice by Monte Titoli, based on the penalties charged from time to time by the Foreign Settlement System.

As for the fees for the provision of the Service applies the provisions of paragraph 1.2.4

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[6] The exchange rate is the market exchange rate, as of the closing of the accounting day preceding the charging date.

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2.1.3 Agent Bank

If the participant uses an Agent Bank for cash settlement, the participant is required to:

a. appoint the same Agent Bank appointed for the settlement within the Settlement Service;

b. request the Agent Bank to communicate Monte Titoli the acceptance of its appointment as Agent Bank, also with reference to the Foreign Settlement Service;

c. in case of withdrawal, exclusion or suspension of the Agent Bank from TARGET 2, arrange for prompt substitution, notifying Monte Titoli in a timely manner.

2.2 SERVICE FUNCTIONALITIES AND COMMUNICATIONS CHANNELS

The Service requires Monte Titoli to operate within the Foreign Settlement Systems, on behalf of its participants, in compliance with the functioning rules of the relevant Foreign Settlement Systems.

The Service functions are made available through the X-TRM Service or through RNI.

If the participant is unable to input the transactions through the above specified telematics channels due to contingent situations, the participant is required to immediately notify Monte Titoli. In such a case, Monte Titoli accepts the instructions submitted in a written form, for the time required to restore the connection.

Whereas Monte Titoli communicates a contingency situation, participants are required to operate in compliance with the guidance provided from time to time by Monte Titoli.

2.2.1 Operational Communications

Monte Titoli communicates to participants, through the information posted on its website, any operational aspects related to the ordinary management of the Service.

Communications regarding extraordinary events may be transmitted by Monte

Titoli through telematics channels (including, but not limited to: e-mail messages, RNI 097 free narrative messages, broadcast through the X-TRM On-Line Service).

The procedures and the timing for the notifications depend on their content and on the urgency with which they must be disclosed.

2.3 OPERATION OF CROSS-BORDER SETTLEMENT SERVICE

2.3.1 Transactions input

Participants to the Service must enter instructions to be settled in the Foreign Settlement Systems (that do not use the T2S platform) via the X-TRM Service.

DVP transactions are disposed by entering transfer orders into the X-TRM Service. FOP transactions are disposed by entering transfer orders into the X-TRM Service or, for securities delivery transactions, also through RNI messages.

The specific procedures for entering the transactions used for each Foreign Settlement System are illustrated in the Operating Documents.

DVP and FOP transactions entered via X-TRM:

    a. may not be modified;

    b. may envisage an ISD preceding the date of entering into the Service.

2.3.2 Cancellation of settlement Instruction

Cancellation of transactions which are not matched on ISD or not settled on ISD may be requested by participants in accordance to the rules of the Foreign Settlement System to which such instructions have been routed for settlement.

Cancellation of instructions entered via X-TRM may be sent to Monte Titoli (for subsequent routing to Foreign Settlement Systems) if compatible with the deadlines indicated in the Operating Documents.

Requests for cancellations of non-matched instructions must be sent via X-TRM.

Requests for cancellations of settlement instructions already matched in the Foreign Settlement Systems and of settlement instructions not-matched can be performed if provided by the Foreign Settlement Systems, on the participant's request and on condition that the counterparty matches the cancellation.

2.3.3 Pre-positioning / Pre-funding

Settlement Instructions are forwarded to the Foreign Settlement Systems that do not use the T2S platform, after the creation of securities funding (pre-positioning) or cash funding (pre-funding) by the Participants respectively in the Participants securities accounts in Monte Titoli or in the DCA cash accounts .

For securities deliveries (DVP or FOP), the funding of securities (pre-positioning) is created through the use of the functionality of the T2S platform "CoSD Securities Blocking" in the accounts of the Participant in delivery.

For securities receipt (RVP) the settlement is managed sending two settlement instructions: a receive-free-of payment (RFP) for the securities and a payment free-of-delivery (PFOD) to debit the cash on the DCA account of the Participant who buy the securities and to credit the Monte Titoli cash account . The settlement of this Instruction is subject to regulation of the corresponding Instruction receive-free-of-payment (RFP) of the original operation in receipt.

The processes of pre-funding and pre-positioning are performed at 7 am (CET) on the settlement date. These processes are entirely managed by Monte Titoli that provides full information to the participants through the X-TRM.

The process is put on hold by Monte Titoli until ISD and released to the Foreign Settlement System for settlement at ISD, only on condition that the coverage is made available and taken into account the opening hours of the relevant Foreign Settlement System.

The availability of securities or cash on the participants' accounts does not ensure the settlement of the transaction, since, should the counterparty not match the transactions in due time, or should it not provide the cash or securities required for the settlement, the transaction will remain pending within the Foreign Settlement System.

The provision of securities or cash remains blocked until settlement of the transaction. If the participant wishes to make use of the funding it is necessary to cancel the transaction.

The cancellation request may be input by the participant, in compliance with the operating rules of the Foreign Settlement System and as provided for cancellation requests sent through X-TRM.

2.3.4 Routing of transactions to the Cross-Border Settlement Systems.

The transactions input into the Service are final and irrevocable according to timings and rules in force within the Foreign Settlement Systems within which the transactions are to be settled.

The transactions are routed to the Foreign Settlement Systems for their settlement at ISD.

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In case of unavailability of the balance on the accounts, the transaction will be put on hold and re-processed daily until the until the creation of the balance on the account.

The instructions with a deferred ISD will be put on hold when entered into Monte Titoli service.

Instructions received at ISD after the hours specified in the Operating Documents sent to the Foreign Settlement System for settlement on the following business day. Instructions received after the hours specified in the Operating Documents, to be settled the same day may nonetheless be routed by Monte Titoli to the Foreign Settlement System, if this is allowed by the automatic routing procedures.

The partial execution of transactions (so-called *partial delivery*) is possible if allowed by the rules of the Foreign Settlement Systems, and the corresponding procedures are set out in the Operating Documents.

Transactions are managed individually, i.e. without netting.

DVP transactions can only be settled in Euro.

If the transfer of cash related to settlement of a securities selling transaction, or to the cancellation of a purchase transaction already sent to the Foreign Settlement System but still awaiting settlement cannot be carried out within the settlement/cancellation accounting day due to expiry of the Service cut-off times, cash will be transferred on the following business day without overnight interests.

The Service does not carry out any verification regarding holding restrictions or the enforceability of rights deriving from the possession of financial instruments which may be envisaged by the issuers.

2.3.5 Reporting on the transactions submitted for settlement

The Service provides the reporting regarding the capturing, matching and settlement of the transactions and movements on securities accounts through the same channels used by participants to input the transactions.

Cash settlement reporting is transmitted by T2S.

The reporting referring to the cancellation of transaction is provided through the same channels used by the participants to submit the transactions.

2.3.6 DVP and FOP transactions related to financial instruments undergoing corporate actions

In case of transactions related to financial instruments undergoing corporate actions, Monte Titoli may apply time limits (cut-off). Such limits will be communicated from time to time through Service Notices.

In case of transactions traded "cum", for which the settlement is carried out "ex", the related claim will be managed by the counterparties, unless Monte Titoli is involved in the processing of the market claim carried out by the Foreign Settlement System.

3 IMPLEMENTING PROVISIONS OF THE SERVICE X-TRM

3.1 OPERATION OF THE SERVICE

The X-TRM provides auxiliary functionality:

- settlement of transactions in the Settlement Service (intra and cross-CSD settlement);

- settlement of transactions in the Foreign Settlement Service (external settlement);

- forwarding operations to foreign settlement systems (routing)

- to the activity of central counterparty

The Service is available on working days as indicated in the TARGET operational calendar.

Dates indicated in operations acquired by the X-TRM Service can also refer to other calendars (e.g. the Borsa calendar) and therefore be determined independently by the system of origin, but must in any case be compatible with the TARGET calendar.

The architecture of the Services requires that the relevant operation timetables take account of the availability of the systems that the Service interacts with, (i.e. Settlement System or the Foreign Settlement System)

3.2 COMMUNICATIONS

X-TRM Participants receive communications:

- through the company website for communications of general nature
- by registered post with return receipt, telegram, fax, post or other means that provide documentary evidence of receipt of the communication for communications of an individual nature
- by telematics means for operational-type communications regarding the ordinary administration of the Service.

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Members of the service communicate with Monte Titoli in writing by registered letter with return receipt, telegram, fax, courier or other means that provide documentary evidence of receipt of the communication. Communications of an operational nature may also be sent by electronic means.

3.3 ACCESS METHOD

Members may use any of the following interactive methods to access the Service:

FEATURES	TECHNICAL TERMS OF USE				
	RNI		SWIFT		MT-X/X-TRM On-LINE
	M.S.	F.T.	FIN E/O INTERACT	FILEACT	
ACQUISITION/CHANGING TRANSACTIONS	X G52 G53	X G50 G51	X MT540 MT541 MT542 MT543 MT548	X G50 G51	X
RESULTS OF OPERATIONS TRANSMISSION (ROM/ACB)		X G56		X G56	X
ALIGNMENT ON-LINE SYSTEM USER	X G57 G58		X MT598 MT548		

3.4 FUNCTIONALITY OF THE X-TRM SERVICE FOR TRANSACTION TO BE SETTLED IN THE SETTLEMENT SERVICE (IN T2S)

In relation to the transactions to be settled between participants to the Settlement Service operated by the T2S platform, the X-TRM provides the following features:

- acquisition of operations
  - o validation of settlement instructions
  - o valorisation of settlement instructions

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- operations Management
  - o amendment of settlement Instructions
  - o deletion of settlement instruction
  - o doubling
  - o hold/release
  - o routing to Settlement Service
  - o post-trading reporting

3.4.1 Acquisition of operations

The types of operations that can be entered into the X-TRM Service can be summarised as follows:

TABLE 1

OPERATIONS	ACRONYM	TRANSACTION TYPE	ORIGIN[7]
Sale/purchase of securities	CVT	DVP/RVP	Guaranteed and unguaranteed Markets also on behalf of X-TRM Participants X-TRM Participants
Repurchase agreement	PCT (Buy sell back) PCR (Classic repo)	DVP/RVP	Guaranteed and unguaranteed Markets also on behalf of X-TRM Participants X-TRM Participants
Securities/cash transfer	CTC	FOP, DWP,RVP, RWP, PFOD, FOP	Central Bank X-TRM Participants Automatic

When operations are entered into the X-TRM Service, regardless of their origin, a check is made that counterparty does not thereby assume exclusive mandate for release to another person. In the latter case, if there is no match between X-TRM Participant photo which the counterparty is associated and the subject who place the operation the operation is rejected.

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[7] The origins listed are those that are valid on the date of publication of this document.

Operations must contain all information indicated in the following table as mandatory. For convenience the related T2S filed are included

It is noted that for the matching purposes the T2S platform distinguishes between (see Table 2):

- mandatory information (if not specified can assume default values);
- optional information, divided into:
  - additional (if specified by a counterparty are considered mandatory fields feedback and therefore must also be specified by the other party);
  - optional (considered fields of feedback required only if specified by both counterparties).

X-TRM FIELDS	T2S FIELDS	TYPE INFORMATION	DEFAULT VALUE
Issuer	Delivering / Receiving Party BIC (based on Securities Movement	Mandatory	NO
Counterparty			NO
Code of System Custody Issuer	CSD of Delivering / Receiving Party (based on Securities Movement Type)		NO
Code of System Custody Counterparty[1]			NO
Settlement Date	Intended Settlement Date		
Data Executed	Trade Date		Date of release of the contract in X-TRM

X-TRM FIELDS	T2S FIELDS	TYPE INFORMATION	DEFAULT VALUE
Object Code Negotiated	ISIN		NO
Quantity	Settlement Quantity		NO
Countervalue	Settlement Amount		NO
Settlement Currency	Currency		NO
Mark	Securities Movement Type		NO
Countervalue Verse	Credit / Debit Indicator		NO
n.a.	Payment Type (this fields will be fill		NO
Settlement Transaction Condition[(1)]	Settlement Transaction Condition (Opt Out)	Additional	NO
Trade Transaction Condition	Trade Transaction Condition (CUM / Ex		NO
Beneficiary Issuer Code BIC	Client of Delivering / Receiving Party (based on Securities Movement Type)	Optional	NO
Beneficiary Counterpart Code BIC			NO
Common Trade Reference	Common Trade Reference		NO

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X-TRM FIELDS	T2S FIELDS	TYPE INFORMATION	DEFAULT VALUE
Counterpart Settlement Securities Account	Securities Account of Delivering / Receiving Party (based on Securities Movement Type)		NO

In addition to the information set out above, in X-TRM it is possible to specify the following additional information:

- ISO code of the operation

- partial settlement indicator

- priority settlement indicator

- indicator for the connection of settlement Instructions

- indicator of the changeability of settlement instructions

- identification code of the "pool" of settlement ''Pool reference ID''

- identification code of the settlement Instructions associates "Reference ID for Settlement Instructions"

- identification code of settlement restrictions ''Reference ID for Settlement Restrictions''

- identification code for the suspension, cancellation, modification of settlement instruction.

3.4.2 Validation in X-TRM Service

Validation is the process specific for each type of operation, which executes formal, logical and congruency checks on the elementary data of each individual settlement instruction.

If the operation is not validated in X-TRM, the service sends a rejection message to the subject that entered it.

If the operation exceeds correctly the validation process in X-TRM, the Service forwards the settlement instruction to the subsequent phases of the process.

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3.4.3 Valorisation (c.d."Enrichment")

The valorization is the X-TRM process that allows to add the necessary information to complete the settlement instructions.

The additional information consist of the data in the database of the X-TRM (e.g. relations between the parties, securities account and other default information) and other data calculated according to the algorithm defined.

The functionality of enhancement allows, according to predefined algorithms, of:

- calculate the cash amount of a CVT operation, using the details available in the messages and other information stored in the database of the X-TRM;

- create the settlement instructions ("spot" and "forward") of an operation PCT / PCR valued using data available in the transaction originally entered by the participant.

Valorisation is performed only if no errors have been detected during the validation phase.

The valorisation relates to the following fields:

FIELD	DEFAULT VALUE	NOTE
EXPENSES AMOUNT	*NO*	*Entered only for OTC operations*
EXCHANGE RATE	*1*	*Represents the conversion ration between the trading currency and the settlement currency.*
PRICE	*NO*	
TOTAL COMMISSIO N	*NO*	*Can be expressed as a total amount or as a percentage. It is entered only for OTC operations.*
UNIT ACCRUAL	Interest accrued from the last coupon detachment	
TYPE OPERATION	*NO*	

Accounting values (countervalues, interest, etc.) are calculated according to the codified rules for each type of operation.

Chapter 5 entitled "METHODS OF CALCULATION" sets out all the formulas for data calculated by the Service.

3.4.4 Doubling operations

All trades sent from markets, central banks and central counterparties, which by definition are already matched, are submitted to the doubling process.

The process consists of duplicating individual communications received by the X-TRM Service into two matched operations, so that each counterparty can fully visualise their operations.

The X-TRM Service attributes a reference code to each individual operation.

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3.4.5 Routing of settlement instructions to the Settlement Service

Once completed the Valorization process the X-TRM forwards settlement instructions to the Settlement Service.

The forwarding of operations to the Settlement Service occurs in two different methods:

- batch method: before the starting of the night-time settlement phase;

- real-time: at the moment when the instructions are entered, during the opening hours of the X-TRM Service.

Settlement instructions relating to operations acquired from Markets and/or Central Counterparties are forwarded to the Settlement Service according to the timing agreed respectively with the Central Counterparties and the Markets and indicated in the Service Notice.

Settlement Instructions relating to OTC transactions are sent in real time to the Settlement Service as they must be subjected to matching.

T2S platform conducts its own validation applying specific rules to check the required fields and optional fields and / or additional possibly used.

If the settlement instruction is not validated in T2S, X-TRM Service sends a rejection message to the subject that entered it.

Only if the settlement instruction passes also the Validation process in T2S the X-TRM Service confers a univocal reference code (reference ID) and sends a message of acceptance to the person who posted it.

3.4.6 Matching Disclosure

Subsequently the X-TRM Service provides, the disclosure on the acknowledgment of the settlement Instructions (allegement) in T2S platform.

In particular X-TRM Participants receive the following messages:

- <u>allegement notification</u>: is provided to the counterpart of an settlement instruction not found;
- <u>allegement remove</u>: if settlement instruction is matched by the counterpart

- <u>allegement cancellation</u>: when the settlement instruction is not matched and has been canceled the counterpart.
- <u>allegment reporting</u>: disclosure concerning all instructions waiting for confirmation

The operations to be settled intra-CSD entered by the Central Banks, Markets and CCP on behalf of its participants are forwarded to the T2S platform as already matched.

3.4.7 Management (Maintenance) of settlement instructions routed to T2S platform.

The X-TRM allows participants to use the following features of management of settlement instructions routed to T2S:

- modification
- cancellation
- hold/release

For OTC transactions functionality maintenance are made available to X-TRM Participants.

For market operations not guaranteed or guaranteed by the Central Counterparty, the use of the maintenance functionality is subject to the rules of Markets or of the Central Counterparties.

The Markets and Central Counterparties that allow the use of the functionality of maintenance are indicated in the Communications of Service.

A. *<u>MODIFICATION OF SETTLEMENT INSTRUCTION</u>*

Pursuant to the Service Regulations, X-TRM Service allows the editing of the settlement instructions forwarded to the T2S platform in the manner and within the limits specified in the document T2S User Requirements.

In particular, the Participants to the X-TRM Service can edit only the following process indicators:

- partialisation indicator;
- priorities of Regulation;
- blocks for connections between Settlement Instructions (linkages blocks).

The change is done by sending a modification instruction. For any change a single Settlement Instruction have to be entered. Instructions of modification are accepted and processed unless:

- settlement instruction that must be modified is not already settled or canceled;
- settlement instruction that must be modified is not identified as ''CoSD''

Settlement instruction partially settled can be changed only with reference to the indicator "priority of regulation."

Outside of the cases identified by the T2S User Requirements, any other changes of the settlement Instructions must be performed by deleting and re-entering it by the X-TRM Participant.

X-TRM Participants can modify operations submitted by Markets and Central Counterparties, provided that the management company of the markets and central counterparties communicate to Monte Titoli to make this functionality available.

The modification of operations from the central bank is not allowed to X-TRM Participants and it is allowed only to the systems from which they originate.

Modification instructions are subject to the processes of validation and valorization in X-TRM.

The Service sends the X-TRM Participant an acceptance message for each formally valid update request or an error message if invalid. In addition to all the data corresponding to the operation, the operator must also provide the reference code given by the X-TRM Service during the entry phase.

B. *CANCELLATION OF OPERATIONS FROM SETTLEMENT SERVICE*

The X-TRM Service allows the cancellation of settlement instructions sent to the T2S platform, in the manner and within the limits specified in the document T2S User Requirements.

The cancellation of the trades originating from the central bank is not allowed to X-TRM participants and it is allowed only to the systems from which they originate.

The cancellation of operations entered by the Markets and by the Central Counterparties it is possible for X- TRM Participants only if the management

company of the markets and the central counterparties have communicated to Monte Titoli to make this functionality available

C. HOLD AND RELEASE FUNCTIONALITY

The X-TRM Service allows the suspension of settlement instructions sent to the Settlement Service, in the manner and within the limits specified in the document T2S User Requirements.

To the settlement instructions is attributed to the state of ''release'' unless one of the four indicators "hold" provided by the T2S platform (Party Hold, Hold CSD, CSD Validation Hold, Hold cOsd) is activated.

The enabling to the use of H&R functionality can be configured based on the role (Party) of the Participant or at the level of securities account (default configuration).

The hold & release functionality is not avaible for settlement instructions entered in CoSD modality.

The change of the indicator may occur during the opening of the X-TRM Service.

The X-TRM Service informs the counterparty of the Participant who has requested the suspension "hold" of a settlement instruction, on the ISD and only if the corresponding settlement instruction is in the "release" state.

The valorisation of the hold/release indicator for the repurchase agreements applies both to the spot and to the forward transactions and it is possible to change it distinctly for each of the two operations, also after the settlement of the spot transaction.

The hold and release functionality of operations entered by the Markets and by the Central Counterparties, it is possible for X- TRM Participants only if the management company of the markets and central counterparties have communicated to Monte Titoli to make this functionality available.

3.4.8 Post Trading reporting

Pursuant to the Service Regulations, the X-TRM Service makes available upon request of Participants report regarding operations entered directly by members themselves or originating from markets/central banks/central counterparties, by the following methods:

- *Report on request*

This is made available at any time of the day during the opening hours of the X-TRM Service. It enables members to verify the status of all operations entered during the day or on the preceding days.

The main criteria that can be used to customise the selection of relevant operations are:

- Counterparty code
- Object code traded
- Operation type
- Settlement date
- Execution date
- Date entered
- Status of the operation (valid or cancelled)
- Matching status (matched, outbound, acknowledged)
- Origin (user system, market)
- Settlement system
- Status of the hold/release indicators;
- Status of the bilateral cancellation indicators.

- *Online report*

  Enables members of the Service to obtain a real time report on all operations present in the system.

- *Original entry on-screen report*

  This function enables selected operations to be displayed on-screen or printed, including the hold/release indicator. In addition to enquiries, the on-screen function allows the operations displayed to be updated or cancelled.

3.5 FUNCTIONALITY OF THE X-TRM SERVICE FOR TRANSACTIONS TO BE SETTLED IN THE FOREIGN SETTLEMENT SYSTEMS (EXTERNAL SETTLEMENT)

3.5.1 Functionality of the Service

The X-TRM provides the following auxiliary features for the forwarding of transactions to be settled as part of the Foreign Settlement Service:

- acquisition of operations
    - o Validation of settlement Instructions;
    - o Valorisation of settlement Instructions;

- forwarding to Foreign Settlement Systems that does not make use of the T2S platform;
- post trading information.

For a description of these features, see the previous paragraphs.

3.6 FUNCTIONALITY OF THE X-TRM SERVICE FOR OPERATIONS TO BE SETTLED BETWEEN THE PARTICIPANTS TO A FOREIGN SETTLEMENT SYSTEM IN T2S OR OUTSIDE T2S (CD. *ROUTING*)

3.6.1 Operation of X-TRM

The X-TRM Service enables trades concluded on Markets, on Multilateral Trading Facilities, or OTC operations entered by the X-TRM Participants and to be routed for settlement into the settlement systems managed by foreign central depositories in T2S or outside T2S (cd. routing).

3.6.2 Acquisition of contracts submitted by market management companies or CCPs

The acquisition of transactions transmitted by market management companies or central counterparties shall take place in accordance with the operating procedures annexed to the agreements referred to in Article 84 of the Regulation. These procedures shall specify, inter alia:

- the methods and timing for sending the data relating to dealers and their settlement agents if different from the X-TRM Participants and the related configuration methods in the Monte Titoli master data;

- the methods and timing of the transmission of information relating to contracts by markets and central counterparties;

- the criteria for aggregating or netting contracts (where applicable);

- the methods and timing of creating and forwarding the Settlement Instructions;

- the methods of forwarding the Settlement Instructions in the foreign settlement system, possibly also through the participants in such systems if the latter are not X-TRM Participants;

- reconciliation, error handling, contingency and reporting procedures.

3.6.3 Acquisition of transactions entered by X-TRM Participants

The acquisition of operations entered by X-TRM Participants takes place using the entry methods currently provided for and indicated at Chapter 3.3

At the moment of entering of the Settlement Instruction X-TRM Participants must specify the code that refers to the Foreign Settlement System where the transaction has to be routed.

X-TRM Participants making use of the routing service must forward to that system and in copy to Monte Titoli, the application *Power of Attorney,* which authorises Monte Titoli to transmit the operation to be settled to the Foreign Settlement Systems.

If the X-TRM Member does not participate directly into the Foreign Settlement System, it must sent to Monte Titoli a copy of the application *Power of Attorney'* already sent by the settlement agent to the Foreign Settlement System with which the said agent settles the operations on his own behalf.

Operations that are entered must contain all the information necessary for their matching and settlement.

The items of information that differ from the information indicated for entering the Settlement Instructions into the Settlement Services managed by Monte Titoli are the following:

- The operation type: currently, provision is made for types CVT and CTC

- Subject of the operation (financial instrument): checks on the admissibility of the financial instrument within the Foreign Settlement System are carried out. With respect to OTC operations, it is possible to trade in securities listed on the reference market that carries out settlement of its own transactions with the Foreign Settlement Systems. Moreover, on request of the a X-TRM Participant member, it possible to admit other securities, provided that they are admitted to the Foreign Settlement Systems.

  Securities index-linked to inflation may be admitted; the 'Euro' dummy security is not admitted.

- Currency of settlement: currencies other than the Euro are admitted. If the settlement currency is not valorised, EUR is assumed by default.

- Exchange rate: in the event that the currency in which the security is traded (unknown to the X-TRM service) is different to the settlement currency, it is necessary to declare the exchange value in question. If the exchange rate is not declared, the system assumes that the trading currency is identical to the settlement currency and therefore the exchange value is 1.

- Settlement agent of the X-TRM Participant that input the transaction: The X-TRM Service assumes a default value that, in the case of direct participation to the Foreign Settlement System, is the X-TRM Participant itself, , whereas in the case of indirect participation to the Foreign Settlement System it is the entity normally used by the X-TRM Participant for settlement of trades with Foreign Settlement Systems. As part of the data of the operation, an X-TRM Participant that input the transaction may also specify a settlement agent code other than the default code, provided that it is included on a list of codes previously communicated to the administrator of the X-TRM service.

- Settlement account of the X-TRM Participant that input the transaction: The Service provides a default value that, in the case of direct participation to the Foreign Settlement Systems, corresponds to the account associated with the settlement agent for the type of trade (own/third party) which is specific to the reference Foreign Settlement System. In the case of indirect participation to the Foreign Settlement System, the default account is designated on the basis of instructions given by the member-TRM Participant. An X-TRM Participant that input the transaction may also specify, with the data of the operation, a settlement code other than the default code, provided that it is included on the record of accounts associated with the issuer's settlement agent.

- Settlement system: this is the Foreign Settlement System in which the operation will be settled.

- Date of settlement: This is freely agreed between the contracting parties. It must be compatible with the calendar of the Foreign Settlement Services. If it is not declared, it is imposed as the second working day following the date of execution.

  It is permitted to enter operations that have a settlement date that coincides with the execution date (T+0).

- End-of-validity date: if not declared, the date of settlement is assumed by default. If it is declared, it must be compatible with the calendar of the foreign settlement systems.

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3.6.4 Feedback on transactions entered by X-TRM Participants

Operations entered by X-TRM members that have passed the validation phase are submitted to the matching function, which verifies the correspondence of information on the trade.

There is no provision for the aggregation of individual operations.

The matching keys described below are specific for each type of operation and define the elementary data necessary for the comparison.

TABLE 3

MATCHING KEY FIELDS / TRANSACTION TYPE	ISSUER	COUNTERPARTY	OBJECT CODE TRADED	SIGN	TRANSACTION TYPE	CENTRAL COUNTERPARTY	DATE EXECUTED	SETTLEMENT DATE	END-OF-VALIDITY DATE	COUNTERVALUE	SETTLEMENT CURRENCY	EXCHANGE RATE	QUANTITY	PRIZE	TOTAL COMMISSION	CONTRACT NOTE ISSUE	STAMP CATEGORY	STAMP CHARGE	EXPENSES	UNIT ACCRUAL	SETTLEMENT SYSTEM CODE	FINAL BENEFICIARY TRADING MEMBER (*)	FINAL BENEFICIARYCOUNTERPARTY (*)
BUY-SELL	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X	X	X	X	X		
CASH/SECURITIES TRANSFER	X	X	X	X	X	X		X	X	X	X		X								X		

(*) The final beneficiary trading member and the final beneficiary counterparty codes are matching keys only if valued by both X-TRM members.

A processed operation can have the status of:

- **matched** if there is an exact correspondence between the issuer's declaration and the counterparty's corresponding declaration

- **unmatched** if the operation is in one of the following states:

  - **outbound:** the counterparty has still not communicated the operation, or there is at least one item of the matching data is different;

  - **response:** an operation that is equal and contrary to the outbound operation, generated automatically for the information of the counterparty.

3.6.5 Bilateral netting without interposition of the CCP for trades from Markets

For markets that request it, the X-TRM Service provides a Bilateral Netting function without the intervention of the CCPs which, automatically performs the aggregation of trades sent to the market within the closing of the service in the trading day. According to the criteria established. Transactions resulting from the automatic aggregation of the contracts fall in the class of "compensation".

Compensations are created automatically with "ad hoc" origin and forwarded to the settlement systems designated, according to the timing agreed with the markets.

The automatic creation of transfers is in line with the following aggregation criteria, depending on the markets of origin of the transactions:

A. For contracts to be settled in the foreign settlement services:

A.1 MOT Market, EuroTLX
- Issuer identifier (trader);
- ISIN;
- Settlement date;
- Date of trade;
- End-of-validity-date;
- Sign of the trade;
- Type of issuer trade (trader);
- Settlement account of the issuer (trader);
- Counterparty identifier;
- Type of counterparty trade;
- Settlement account of the counterparty;
- Origin;
- Settlement system.

A.2 Euronext Paris Market

- ISIN code;
- the trading counterparty;
- counterparty negotiation type;
- type of trading of the Issuer:

If the settlement agent does not manage the so-called. "strange netts" contracts are aggregated according to the sign of the transaction (see point A2)

B. For contracts to be settled in the Settlement Service operated by Monte Titoli

B.1 Sedex Market, ExtraMOT

➢ Market or segment of the contract origin;
➢ Settlement system
➢ ISIN;
➢ Settlement date;
➢ Issuer identifier (trader)
➢ Type of issuer's trading (trader)
➢ Counterparty identifier;
➢ Type of counterparty trading

In the case the issuer and the counterparty are the same, the aggregation will take place considering the quantities and the equivalent values in absolute terms.

3.6.6 Cancellation by the markets 6

Cancellations on day ''T''

The cancellation has effect on the original trade as the X-TRM Service has not yet created the aggregate balance. The operations present in X-TRM are given cancelled status.

Cancellations from T+1 to L

In this case the cancellation will not alter the previously created balance, but will lead to the creation of a new settlement instruction which is sent to the relevant settlement system with a opposite sign.

3.6.7 Routing of operations

This is the function by which the X-TRM Service routes to the Foreign Settlement Systems, in real time, the relevant settlement instructions relating to trades made on the markets and to individual matched OTC operations.

Different timescales apply for:

I. Trades subject to the netting function the sending to the settlement system competent occurs in evening batch method

II. Trades that are not subject to the netting function and referring to trades concluded in the market the routing occurs immediately after acquisition.

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III. For OTC trades settlement instructions are sent only after they are matched, a process that may take some days to complete.

Settlement instructions are sent by standard routes agreed with the Foreign Settlement Systems, which provide for the generation of a SWIFT MT 541 message for the purchasing counterparty and a SWIFT MT 543 message for counterparty that is selling the securities.

If the foreign settlement system and the settlement account of the two counterparties are the same, the settlement instructions do not send the respective SWIFT MT 541 and MT 543 messages to the Foreign Settlement System.

Following a correction by intermediaries of the trade type and/or the settlement account, the relevant cancellation messages are sent to the foreign settlement systems (SWIFT message MT 541 for the counterparty purchasing securities and MT 543 for the counterparty selling securities) together with the relevant SWIFT MT 541 or MT 543 entry message.

On receipt of the instructions, the Foreign Settlement Systems perform all the checks of form and content, immediately informing the X-TRM Service that forwarded the trade of any errors that prevent it from accepting the instruction and consequently sending a SWIFT MT 548 rejection message.

3.6.8 Cancellation of operations

With respect to the cancellation of operations entered by a user system, it is possible to forward the request of cancellation, also unilaterally, of matched operations, accordingly with the functioning rules of the Foreign Settlement Systems.

3.6.9 Cut-off for entry/change of OTC Operations

It is possible to enter/alter OTC operations within the terms of specific cut-offs established for the forwarding of the operations to Foreign Settlement Systems, which differ according to the date of settlement, i.e. T+0, T+1 and T+n.

The cut-offs are imposed in accordance with the operating hours of the Foreign Settlement Systems.

 For more detail on the daily timetable for the activities of the Service, see the "Service communications''.

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3.6.10 Removal of operations

The Service automatically removes matched and unmatched operations by the following timescales:

- 3 days after the original date of settlement for operations sent for settlement in Euroclear (settlement system '03')

- 3 days after the original date of settlement for operations sent for settlement in Clearstream (settlement system '04') where there are not unsettled operations.

3.6.11 Post-Trading reporting

See chapter 3.4.8

3.7 AUXILIARY FUNCIONALITY TO THE CCP ACTIVITY

3.7.1 Interaction with the central counterpart for cash markets

Upon request of markets, ~~For the contracts received from markets guaranteed by the CCP, the~~ ~~X-TRM Service~~ **the pre-settlement system** carries out the interposition of the CCP itself between the two original counterparties~~, thereby guaranteeing the "anonymity" of the trade.~~

Due to the fact that trades originating from the cash market can be guaranteed by one or more CCPs[8], the following operations can be generated as a result of the interpositioning and the doubling process:

- in the case of one single CCP, four operations: two corresponding to the original counterparties of the CCP and two of the CCP vis-à-vis the two original counterparties each operation is allocated a reference code

- in the case of two central counterparties, six operations: two corresponding to the original counterparty of the first central counterparty, two of the first central counterparty vis-à-vis the other central counterparty and two of the second central counterparty vis-à-vis the original counterparty. each operation is allocated a reference code

The following diagram illustrates the process:

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[8] The MTS and BTM markets give their own traders the option, if they intend to guarantee their own trade, of choosing whether to use one central counterparty from those provided by the market (in this specific case, Cassa Compensazione & Garanzia e LCH-Clearnet SA).

CASE 1 (one CENTRAL COUNTERPARTY)

PARTY A sells to PARTY B and both use the services of CCP1

after the interpositioning the following situation occurs:

PARTY A sells to CCP1
CCP1 sells to PARTY B

after the doubling the following situation occurs:

PARTY A sells to CCP1
CCP1 buys from PARTY A
CCP1 sells to PARTY B
PARTY B buys from CCP1

CASE 2 (two CENTRAL COUNTERPARTIES)

PARTY A sells to PARTY B
PARTY A uses the services of CCP1
PARTY B uses the services of CCP2

after the interpositioning the following situation occurs:

PARTY A sells to CCP1
CCP1 sells to CCP2
CCP2 sells to PARTY B

after the doubling the following situation occurs:

PARTY A sells to CCP1
CCP1 buys from PARTY A
CCP1 sells to CCP2
CCP2 buys from CCP1
CCP2 sells to PARTY B
PARTY B buys from CCP2

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The information on the original trade is forwarded by an online method to the central counterparty.

It is possible for the intermediary to make a change in the 'own account' and 'third party account' within the day of the conclusion of the trade. This must be indicated to the CCP as a change in a previously sent operation.

Cancellations of trades involve the cancellation of all four (or six) of the operations generated in the X-TRM service and the CCP is informed so that it can update its system. On following days, and in any case by the close of the pre-settlement phase on the day of settlement, the administrator of the settlement, on the instruction of the market, may proceed to cancel one or more trades; these cancellations involve the cancellation of all four (or six) of the operations generated in the X-TRM service and the CCP is informed so that it can update its system.

All operations guaranteed by the CCP are present in the X-TRM service and appear in the report made available to members.

3.7.2 Acquisition of trades from the Cassa di Compesanzione e Garanzia (IDEM Market)

Trades originating from the IDEM market, relating to exercises/allocations of stock options or the consignment of assets underlying futures (stock futures), are sent from the Cassa di Compensazione e Garanzia to the X-TRM service on the morning of the day following the exercise/allocation of the option and the maturity of the futures. These trades are sent to X-TRM as transfer operations (securities and cash) concluded directly with the Cassa (and not therefore subject to interposition, as the Cassa already appears as the counterparty) with an *ad hoc* "origin" and "market segment" and a Central Counterparty settlement account that is segregated from other guaranteed operations in order to create a separate bilateral net balance. Trades made by non-clearing members on the IDEM market can indicate a clearing member that is different from that used in cash markets[9].

3.7.3 Acquisition of trades from the Cassa di Compesazione e Garanzia (Buy-In Execution)

Trades concerning the execution of a buy-in that require the settlement in the Settlement Service are sent from the Cassa di Compensazione e Garanzia to the X-TRM service on the morning of the day following execution. These trades are sent to X-TRM as transfer operations (securities and cash) concluded directly with the Cassa (and therefore not subject to interposition, as the Cassa already appears as the counterparty) with an *ad hoc* "origin" and "market segment" and

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[9] In payments sent from the IDEM market, the relevant general clearing member is indicated as the counterparty vis-à-vis the Cassa.

a Central Counterparty settlement account that is segregated from other operations in order to create a bilateral net balance that is different to that created for operations performed on the markets.

3.7.4 ~~3.7.4~~ Creation __and updating__ of Net Bilateral Balances (Payments) With the Central Counterparty

~~Given that the settlement services accept transactions in the form of individual trades or bilateral securities/cash balances, a function is provided that, on the request of the central counterparty itself,~~ **on the request of central counterparties, the pre-settlement system** performs the automatic aggregation of trades subject to interposition ~~and with even settlement date~~, **in accordance with the criteria defined by the central counterparties and creates instructions to be forwarded to the settlement system** ~~with the consequent entry into X-TRM of the bilateral balance vis-à-vis the CCP (the type of operation created is "transfer")~~.

~~At the receipt of the first trade guaranteed by the CCP,~~ **the pre-settlement system** ~~the Service defines and~~ inserts~~, into the same X-TRM,~~ the automatic transfer arising from the bilateral clearing. Such transfer is updated ~~on line~~ at the receipt of every contract subsequent the first one. After clearing, it is possible that indications of quantity/nominal value and countervalue will be the same. If following the clearing the resulting balance of securities and cash is 0, the **pre-settlement system** ~~X-TRM~~ does not send any settlement instructions to the Settlement Service.

The automatic creation of transfers follows a different operating logic according to the mode of traders' membership of settlement (clearing or non-clearing) and of the central counterparty (clearing or non-clearing).

Following the instructions of those central counterparties with respect to the method by which margination is performed for traders, the service plans for the creation of the net bilateral balances using a different operating model for each specific reference market (the same central counterparty can decide to implement one operating model on one market and another operating model on another market).

Operating model A (''Gross'' Margination Model)

1. Trader is a member of both Settlement Service and the central counterparty.

   The trader, which also assumes the role of direct settlement agent, is the party obliged to the central counterparty (individual clearing member), therefore the bilateral net balance created is relative to the positions of the trader vis-à-vis the central counterparty.

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The trader's settlement account is the 'own' or 'third party' account, valorised on the basis of the type of trade made.

2. Trader is a member of Settlement Service and uses the services of a general clearing member of the central counterparty (which in turn is a clearing or non-clearing member of the settlement system).

   The party obliged to the central counterparty on behalf of the trader is its general clearing member, for which the bilateral net balances created are relative to the position of the trader, a direct clearing member of settlement, vis-à-vis its general clearing member and the general clearing member vis-à-vis the central counterparty.

   The general clearing member may in turn be a clearing or non-clearing member of settlement.

   The trader's settlement account is the 'own' or 'third party' account, valorised on the basis of the type of trade made.

   The general clearing member's settlement account, in the case of direct membership of settlement, is a single account that the general clearing member itself chooses (third party account, own account or an ad hoc settlement agent account) in which the general clearing member intends to settle all the positions of its non-clearing members.

   In the case of the general clearing member's non-clearing membership of the settlement service, the settlement account is the account that the settlement agent attributes to the general clearing member.

   In the event that various traders use the services of the same general clearing member, a general clearing member's single bilateral net balance is established vis-à-vis the central counterparty, with accounts attributed according to the criteria described above.

3. Trader uses the services of an entity that is simultaneously a settlement agent and a general clearing member.

   The party obliged to the central counterparty on behalf of the trader is its general clearing member, which also performs the role of settlement agent.

   The general clearing member, in the context of the settlement service, settles the positions for each non-clearing trader. Thus, the bilateral net balances created are relative to the positions of the trader vis-à-vis the central counterparty, using the settlement account assigned by the trader.

The settlement agent, which is also the general clearing member, may use its own third party account or a specific settlement account for the trader as the settlement account.

4. Trader is a clearing member of the central counterparty but uses the services of a settlement agent.

   The trader is the party obliged to the central counterparty (individual clearing member) and settles its own positions in settlement indirectly thorough a settlement agent.

   The bilateral net balances are relative to the positions of the trader vis-à-vis the central counterparty, using the settlement account assigned to the trader by the settlement agent.

5. Trader uses the services of a settlement agent and a general clearing member of the central counterparty, with the latter using the services of a settlement agent.

   In this case, in relation to guaranteed operations, there is a link which obliges the trader to use the services of its general clearing member's settlement agent.

   The party obliged to the central counterparty on behalf of the trader is its general clearing member, which is a member of the settlement service trough the trader's settlement agent.

   The general clearing member, in the context of the settlement service, settles the positions for each non-clearing trader. Thus, the bilateral net balances created are relative to the positions of the trader vis-à-vis the central counterparty, using the settlement account that the settlement agent assigns to the trader.

Only the automatic transfers defined either by the trader vis-à-vis the central counterparty, or those with the intervention of a settlement account that is representative of the positions of the general clearing member (only in case 2), and not individual trades, are sent to the Settlement Service.

The automatic transfers thus defined for each settlement date foreseen respectively apply the following aggregation criteria:

- the trader's code
- the trade type (own or third party)
- the settlement agent's code
- the settlement account used

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Thus, in the event that an intermediary – a non-clearing member of the central counterparty, uses the services of two different general clearing members (one for cash and one for derivatives), while using the same settlement account, the aggregation will be carried out without considering the different general clearing members, instead producing a single bilateral balance for the same security.

As a result of the acquisition of new guaranteed trades, the automatic transfers could be updated also during the day before the date of settlement, according to the criteria set out above.

 The following table is a summary outline of operating model A

TABLE 5

	MEMBERSHIP OF THE TRADER'S SETTLEMENT	MEMBERSHIP OF THE TRADER'S CENTRAL COUNTERPARTY	MEMBERSHIP OF THE GENERAL CLEARING MEMBER'S SETTLEMENT
CASE 1	CLEARING	CLEARING	
THE TRANSFER CREATED IS BETWEEN THE TRADER AND THE CENTRAL COUNTERPARTY Trader's account: own account or third party account according to the type of trade made			
CASE 2	CLEARING	NON-CLEARING	CLEARING/NON-CLEARING
THE TRANSFER CREATED IS: - BETWEEN THE TRADER AND THE GENERAL CLEARING MEMBER - BETWEEN THE GENERAL CLEARING MEMBER AND THE CENTRAL COUNTERPARTY Trader's account: own account or third party account according to the type of trade made General clearing member's account: - a single account (own, third party account)➔ IF CLEARING - account attributed by the settlement agent to the general clearing member ➔ IF NON-CLEARING			
CASE 3	NON-CLEARING	NON-CLEARING (with general clearing member = settlement agent)	CLEARING

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THE TRANSFER CREATED IS BETWEEN THE TRADER AND THE CENTRAL COUNTERPARTY Trader's account: account attributed by the settlement agent to the trader (third party account)			
CASE 4	NON-CLEARING	CLEARING	
THE TRANSFER CREATED IS BETWEEN THE TRADER AND THE CENTRAL COUNTERPARTY Trader's account: account attributed by the settlement agent to the trader (third party)			
CASE 5	NON-CLEARING	NON-CLEARING	NON-CLEARING (with settlement agent of the general clearing member = settlement agent of the trader)
THE TRANSFER CREATED IS BETWEEN THE TRADER AND THE CENTRAL COUNTERPARTY Trader's account: account attributed by the settlement agent to the trader (third party account)			

Operating Model B (''Net'' Margination Model)

1. Trader is a member of both Settlement Service and the central counterparty.

   The trader, which also assumes the role of direct settlement agent, is the party obliged to the central counterparty (individual clearing member), therefore the bilateral net balance created is relative to the positions of the trader vis-à-vis the central counterparty.

   The trader's settlement account is the 'own' or 'third party' account, valorised on the basis of the type of trade made.

2. Trader is a member of Settlement Service and uses the services of a general clearing member of the central counterparty (which in turn is a clearing or non-clearing member of the settlement system).

   The party obliged to the central counterparty on behalf of the trader is its general clearing member, for which the bilateral net balances created are relative to the position of the trader, a direct clearing member of settlement, vis-à-vis its general clearing member and the general clearing member vis-à-vis the central counterparty.

   The general clearing member may in turn be a clearing or non-clearing member of settlement.

The trader's settlement account is the 'own' or 'third party' account, valorised on the basis of the type of trade made.

The general clearing member's settlement account, in the case of direct membership to the Settlement Service, is a single account that the general clearing member itself chooses (third party account, own account or an ad hoc settlement agent account) in which the general clearing member intends to settle all the positions of its non-clearing members.

In the case of the general clearing member's indirect membership of the Settlement Service, the settlement account is the account that the settlement agent attributes to the general clearing member.

In the event that various traders use the services of the same general clearing member, a general clearing member's single transfer is established vis-à-vis the central counterparty, with accounts attributed according to the criteria described above.

3. Trader uses the services of an entity that is simultaneously a settlement agent and a general clearing member.

   The party obliged to the central counterparty on behalf of the trader is its general clearing member, which also performs the role of settlement agent.

   The general clearing member, in the context of the settlement service, settles its own positions. Thus, the bilateral net balances created are relative to the positions of the general clearing member vis-à-vis the central counterparty, using the settlement account used by the trader.

   The settlement agent, which is also the general clearing member, may use its own third party account or a specific settlement account as the settlement account.

   In the second hypothesis, when creating the bilateral net balances, the non-clearing trader's position vis-à-vis the clearing member is also created. In this case, the settlement account used by the trader is the specific settlement account allocated by the settlement agent.

   In the event that various traders use the services of the same general clearing member, a general clearing member's single transfer is created vis-à-vis the central counterparty, with accounts attributed according to the criteria described above.

4. Trader is a clearing member of the central counterparty which uses the services of a settlement agent.

The trader is the party obliged to the central counterparty (individual clearing member) and settles its own positions in settlement indirectly thorough a settlement agent.

The bilateral net balances are relative to the positions of the trader vis-à-vis the central counterparty, using the settlement account assigned to the trader by the settlement agent.

5. Trader uses the services of a settlement agent and a general clearing member of the central counterparty, with the latter using the services of a settlement agent.

In this case there is an obligation on the trader, in relation to the guaranteed operations, to use the services of its general clearing member's settlement agent.

The party obliged to the central counterparty on behalf of the trader is its general clearing member, which is a member of the settlement service trough the trader's settlement agent.

The general clearing member, in the context of the settlement service, settles its own positions. Thus, the bilateral net balances created are relative to the positions of the general clearing member vis-à-vis the central counterparty, using the settlement account allocated by its settlement agent.

The settlement agent may use as its settlement account an ad hoc settlement agent account other than the settlement account that it uses for the trader.

In that case, when creating the bilateral net balances, the non-clearing trader's position vis-à-vis the clearing member is also created. In this case, the settlement account used by the trader is the specific settlement account allocated by the settlement agent.

In this case also, if various traders use the services of the same general clearing member, a general clearing member's single transfer is created vis-à-vis the central counterparty, with accounts attributed according to the criteria described above.

Only the automatic transfers defined either by the trader vis-à-vis the central counterparty, or those with the intervention of a settlement account that is representative of the positions of the general clearing member (and not individual trades) are sent to the Settlement Service.

As a result of the acquisition of new guaranteed trades, the automatic transfers could be updated also during on the day before the date of settlement, according to the criteria set out above.

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TABLE 6

	MEMBERSHIP OF THE TRADER'S SETTLEMENT	MEMBERSHIP OF THE TRADER'S CENTRAL COUNTERPARTY	MEMBERSHIP OF THE GENERAL CLEARING MEMBER'S SETTLEMENT
CASE 1	CLEARING	CLEARING	
THE TRANSFER CREATED IS BETWEEN THE TRADER AND THE CENTRAL COUNTERPARTY Trader's account: own account or third party account according to the type of trade made			
CASE 2	CLEARING	NON-CLEARING	CLEARING/NON-CLEARING

THE TRANSFER CREATED IS:
     - BETWEEN THE TRADER AND THE GENERAL CLEARING MEMBER
     - BETWEEN THE GENERAL CLEARING MEMBER AND THE CENTRAL COUNTERPARTY
 	
Trader's account: own account or third party account according to the type of trade made
General clearing member's account:
 - a single account (own, third party)➔ IF CLEARING
 - account attributed by the settlement agent to the general clearing member ➔ IF NON-CLEARING			

CASE 3	NON-CLEARING	NON-CLEARING (with general clearing member = settlement agent)	CLEARING

THE TRANSFER CREATED IS BETWEEN THE TRADER AND THE CENTRAL COUNTERPARTY (using third party account)
 	
General clearing member's account: third party account
 	
     OR
 	
     - BETWEEN THE TRADER AND THE GENERAL CLEARING MEMBER
     - BETWEEN THE GENERAL CLEARING MEMBER AND THE CENTRAL COUNTERPARTY
 	
Trader's account: account attributed by the settlement agent to the trader (thirdy party account)
General clearing member's account: a single account (own, third party account)			

CASE 4	NON-CLEARING	CLEARING	

THE TRANSFER CREATED IS BETWEEN THE TRADER AND THE CENTRAL COUNTERPARTY Trader's account: account attributed by the settlement agent to the trader (third party account)			
CASE 5	NON-CLEARING	NON-CLEARING	NON-CLEARING (with settlement agent of the general clearing member = settlement agent of the trader)

THE TRANSFER CREATED IS BETWEEN THE GENERAL CLEARING MEMBER AND THE CENTRAL COUNTERPARTY
 	
General clearing member's account: account attributed by the settlement agent to the general clearing member (third party or settlement agent ad hoc account)
 	
    OR
 	
       - BETWEEN THE TRADER AND THE GENERAL CLEARING MEMBER
       - BETWEEN THE GENERAL CLEARING MEMBER AND THE CENTRAL COUNTERPARTY
 	
Trader's account: account attributed by the settlement agent to the trader (third party ad hoc settlement account)
General clearing member's account: account attributed by the settlement agent to the general clearing member (third party settlement agent ad hoc account)			

~~3.7.5 Updating of bilateral balances (Transfers) on the day before the date of settlement~~

The acquisition of central counterparty-guaranteed trades, routed from the markets of the X-TRM service on the day before the date of settlement and with a settlement date on the following day (T+1) is managed in exactly the same manner as in the case of acquisition on the trade date.

The X-TRM service proceeds to update the balances online (if present in X-TRM) or on their entry (if not present in X-TRM) and forward them to the Settlement Service with an update/insertion of the relevant settlement instructions.

The cancellation of trades, which can be carried out according to their specific operating rules and which are forwarded on the day before settlement, involves, in the X-TRM service:

- the cancellation of the original four/six operations, the updating in real time of the transfer and the previously created settlement instruction;

- reporting to the central counterparties in real time, by the technical methods agreed in the case of entry, of an operation equal or contrary to the original transaction.

3.7.6 Report to the general clearing member

A function is provided that permits the general clearing member to request, at any time during the day, a flow containing only the details of operations guaranteed by the central counterparty performed by its clients, non-clearing members of the CCP, for which it is obliged to pay the margins. The general clearing member may also receive reports of net positions of all its non-clearing members, determined at the end of the day, as described in the following paragraph.

If the general clearing member is also the settlement agent for its non-clearing member, it will receive all the information provided and addressed to settlement agents.

3.8 MANAGEMENT OF PARTICULAR OPERATIONS/TRADES

3.8.1 Repurchase agreements

This type of trade is characterised by a spot transaction counterposed by a forward contract, concluded on the same date, with the same counterparty, concerning the same securities and for the same nominal value.

Interest is paid on expiry of the contract by the party that delivers the securities in return for cash. The date of settlement of the spot transaction and the forward transaction, if communicated by the intermediaries, is freely agreed between the parties. If the trade is communicated to the market, the settlement dates are valorised by the market itself.

The price of the spot transaction, expressed at its ex dividend price and with interest (where applicable) must be declared by the contracting parties. For trades that are received by the market, the forward price is calculated automatically using the algorithm defined in the 'METHODS OF CALCULATION' section at chapter 5.

3.8.2 Administration of ''Overnight' Repurchase Agreements

The following settlement methods apply to 'Overnight' repurchase agreements:

- the spot leg is settled, with a settlement date the same as the trade date, in the Settlement Service (RTS) not later than 16:00
- the forward leg is settled, with a settlement date that follows the trade date in the Settlement Service (NTS).

Entry of the operation

The following procedures apply for settlement of this type of trades:

1. The market sends to the X-TRM service the overnight repurchase agreements that are to be forwarded to the Settlement Service.

2. The X-TRM Service performs the usual validation, valorisation and doubling processes.

   After the doubling process, two matched operations are created to enable each member, in the capacity of issuer, to obtain information on its own

operations in the case of a non-guaranteed trade; four (six in the case of double CCP) matched operations are created in the case of a guaranteed trade.

Furthermore, for each member, an "operation identifier" is allocated to the spot leg and a different "operation identifier" is allocated to the forward leg, according to the operating methods established for the X-TRM Service.

3. Once it has verified that the operations are "overnight" repurchase agreements, the X-TRM Service:

   3.1 *For non guaranteed contracts:*

   • Enter the spot transaction in the Settlement Service;

   • If the ISD of the forward transaction is Trade Date + 1, enter the forward transaction in the Settlement Service in *batch mode* (i.e. just before the start of the NTS);

   • In the other cases, maintain the forward transaction in the X-TRM Service for the subsequent entering in the Settlement Service.

   3.2 *For guaranteed contracts:*

   • Calculate two (three in case of double CCP) "automatic transfers" according to the applicable operating model;

   • Enter the spot transaction in the Settlement Service;

   • Maintain the forward transaction in the X-TRM Service, for the management of the transaction in the net balance of the ISD.

4. The spot transaction is entered by the X-TRM Service into the Settlement Service by the following methods:

   - if the trade is not guaranteed by CCP, the operation is indicated as originating from 'PCT';

   - if the trade is guaranteed by CCP, it is indicated as originating from 'RRG' and the market segment is 'FME';

   - the original spot transaction identifier is shown.

For guaranteed contracts the spot transaction entered into the Settlement System is referable to the original spot transaction thanks to its 'RRG' origin and to its "operation identifier".

Cancellation of an operation

For "overnight" repurchase agreements, the cancellation can be sent from the Market on the day that the trade is executed, and it is managed according to the following methods:

1. The Market sends the cancellation of the contract to the X-TRM Service.

2. The X-TRM Service, once it has verified that it is a repurchase agreement, it proceeds to:

   - Cancel both the spot transaction and the forward transaction from the X-TRM Service; the cancelled operations are included in the report.

   - Manage the transaction sent to the Settlement Service according to the settlement status of the same.

     o In case of settled transaction, the X-TRM Service automatically create a "reverse" and enter it in the Settlement Service;

     o In case of partially settled transaction, the X-TRM Service enter the cancellation of the original transaction and for the settled amount automatically create a "reverse" and enter it in the Settlement Service;

     o In case of un-settled transaction, the X-TRM Service enter in the Settlement Service the cancellation of the original transaction.

In the X-TRM Service, the "new" spot transaction is associated with the same operation identifier as the original spot transaction. In this manner a link between the two spot transactions (payments) is ensured in terms of reference to the original transaction.

In the Settlement Service transfer the original spot transaction and the cancellation instruction are treated independently of each other.

4 DEFAULT MANAGEMENT PROCEDURE

The procedure applies to all the settlement instructions (related to trades), repurchase agreements and compensation securities and / or cash and resulting from guaranteed market transactions, non guaranteed market transactions and OTC) entered for settlement on Monte Titoli Settlement System and related to the Participants and / or indirect participants, pursuant the to Article 59, paragraph 5 of the Service Regulations.

If a Participant or Indirect Participant defaults, the procedure activated by Monte Titoli is divided into the following phases:

1. Receipt of the declaration of default;

2. Interventions on the settlement system in order to manage the transactions of the insolvent entity.

The following definitions apply for managing insolvencies:

- "time of insolvency" or "TOI", the moment an insolvency proceeding is opened pursuant to article 3 of Legislative Decree 210/2001;

- "time of awareness" or "TOA", the moment Monte Titoli becomes aware of the insolvency status of one of its Participants or Indirect Participants.

4.1 RECEIPT OF THE DECLARATION OF DEFAULT

This procedure applies when Monte Titoli is notified of a default, declared in Italy or another EU country or extra-EU, pursuant to Article 3(6) of Legislative Decree 210/2001.

The procedure is activated by Monte Titoli:

- upon receipt of the notification from the Bank of Italy, or

- when Monte Titoli is aware of insolvency in the manner required by the operational procedures for crisis management, defined in agreement with the T2S System Operator; or by written note by a Participant or of a central counterparty provided that the notice specifies that the sender " *under its own responsibility gives notice of the opening of an insolvency procedure under Legislative Decree 210/2001 against [name, LEI code, CED code, ABI code of the insolvent participant]*. This communication must be made by the legal and/or contract representative of the Participant or central counterparty.

To this end Monte Titoli has a procedure in place with the Bank of Italy that provides for it to receive notifications ex art. 3 comma 6 e 9 del D. Lgs. N. 210/2001 at the following dedicated address:

BINnotifyMT@lseg.com

so as to ensure the prompt receipt and appropriate handling of notifications and the timely communication of the moment and the way in which Monte Titoli has been informed of the opening of default proceedings and the operations that follow:

Immediately upon receiving notification, Monte Titoli:

a) in the case of the insolvency of a Participant, actives the Settlement System technical procedures to block: i) the acquisition of new settlement instructions in the Settlement System that are attributable to the insolvent Participant; and ii) amendments to settlement instructions already in the Settlement System that are attributable to the same entity;

   To this end, Monte Titoli: (i) blocks the acquisition of settlement instructions in the Settlement System that are attributable to the insolvent Participant ~~through the X-TRM Service~~; (ii) for direct connections, prevents the insolvent Participant from sending new settlement instructions to the Settlement System, or from amending Instructions already in the System;

b) in the case of insolvency of an Indirect Participant, blocks the acquisition of settlement instructions in the Settlement System that are attributable to the insolvent Indirect Participant ~~that are already in the X-TRM Service~~; allows the Participant that settles transactions on behalf of the Indirect Participant to issue, on its own responsibility and within 2 business days (not including the day of notification), new settlement instructions on the accounts pursuant to article 57, paragraph 5, letter b) of the Regulation, for the sole purpose of exercising retention rights and guarantee rights, within the limits permitted by law;

c) cancels the intra-CSD settlement instructions already in the Settlement System that are attributable to the insolvent Participant or Indirect Participant that have already been acquired by the Settlement System, according to methods and timing set out in Chapter 4.2;

d) puts a hold on the cross-CSD settlement instructions attributable to the insolvent Participant or Indirect Participant already in the Settlement System, according to methods and timing set out in Chapter 4.3;

e) cancels the settlement instructions from the X-TRM Service that are attributable to the insolvent Participant or Indirect Participant that have not yet been input in the Settlement System;

f) informs the Participants in the Settlement Service of the activation of the default management procedure, specifying the TOI and the TOA.

As regards the notification of the default to the participants, in order to ensure the unambiguous identification of the participant that has been declared insolvent, Monte Titoli will communicate the LEI code, the CED code and/or the ABI code and the corresponding settlement account of the default Participant or Indirect Participant.

Again with the aim of ensuring the adequate dissemination of the information, Monte Titoli asks participants to keep the data of the subjects Monte Titoli must/can contact for the purposes of the default management procedure for the same Participants or the clients of Indirect Participants updated (names, mailing list, phone numbers, etc.).

This data is collected through the CLIMP application.

4.2 CANCELLATION OF INTRA-CSD SETTLEMENT INSTRUCTIONS

Monte Titoli will proceed with cancelling the intra-CSD settlement instructions in the Settlement System that are attributable to the insolvent Participant or Indirect Participant according to methods and timing set out in the following table.

Settlement instructions	Monte Titoli interventions
Entered prior to TOI and with ISD subsequent to the insolvency date	Are cancelled at the end of ISD, if not settled
Entered prior to TOI and with ISD equal to or prior to the insolvency date	Are cancelled at the end of the day of the insolvency, if unsettled
Entered after TOI, observed prior to TOA and with ISD subsequent to the insolvency date	Are cancelled as soon as possible
Entered after TOI, observed prior to TOA and with ISD equal to or prior to the insolvency date	Are cancelled if unsettled at the end of the day of insolvency
Entered after TOI and observed after TOA	Are cancelled as soon as possible

Notwithstanding the manner and timing indicated above, for settlement instructions attributable to transactions guaranteed by a central counterparty that uses the X-TRM Service to calculate balances ("CCP"), the following apply:

a) In the case of insolvency of an Indirect Participant that is a "client broker" ("NCM") tied to a CCP member entity ("GCM"), Monte Titoli cancels only those settlement instructions created between the NCM and GCM that are in the Settlement System, while instructions between GCM-CCP continue to be settled. If the settlement instructions were created directly between NCM - CCP, these settlement instructions are cancelled and together with the CCP are re-instructed to a securities account communicated by the GCM to the CCP;

b) In the case of insolvency of a Participant or Indirect Participant that is an individual or general CCP member, Monte Titoli will cancel all settlement instructions between the Participant, or Indirect Participant, and the CCP, present in the Settlement System as soon as possible.

4.3 INTERVENTIONS ON THE SETTLEMENT INSTRUCTION CROSS-CSD

In the case of default from a Direct or Indirect Participant to the Settlement Service, Monte Titoli applies the interventions set out in paragraph 2 to the cross-CSD settlement instructions, substituting settlement cancellation with suspension (hold).

The cross-CSD settlement instructions on hold are subsequently assigned a unilateral cancellation status by Monte Titoli so that any cancellation requests entered by the counterparty (bilateral cancellation) may be processed by the Settlement System.

In the case of default of a participant in another CSD in T2S, shall apply the rules established by CSD of the insolvent subject, except for the possibility for Participants of Monte Titoli to suspend liquidation of the settlement Instructions of offsetting to the default subject.

4.4 INTERVENTIONS ON SETTLEMENT INSTRUCTIONS TO BE SETTLED WITHIN THE FOREIGN SETTLEMENT SERVICE

In the event of default of a participant in the Foreign Settlement Service, upon receiving notice pursuant to Chapter 4.1, Monte Titoli:

- cancels the settlement instructions related to the participant in the X-TRM Service, not yet forwarded to the Foreign CSD.

In the case of default by an entity that a Participant had identified as an Indirect Participant pursuant to article 57, paragraph 5 of the Serivice Regulations, upon receiving notice pursuant to Chapter 4.1, Monte Titoli:

- cancels the settlement instructions from the X-TRM Service that are attributable to the insolvent Indirect Participant that have not yet been forwarded to the Foreign CSD;

5 "CALCULATION METHODS''

5.1 COUNTERVALUE

Sale/purchase and repurchase agreements

For all the trades in question, the countervalue is given by the product of the quantity over the price. If the security is fixed income, the product is divided by 100.

To obtain the sum of the countervalue in the settlement currency requested by the two intermediaries, for OTC operations or from the market of origin, the algorithm always divides the amount obtained by the exchange rate.

Therefore, if the trading currency of the security, in relation to the price for shares and the nominal value for fixed-interest securities, is different to the currency of settlement, the intermediaries, for OTC operations and the markets for trades executed on their platforms, are obliged to declare the exchange rate, given that the system assumes a value of 1 by default.

TABLE 7

OPERATION ACRONYM	DESCRIPTION
CVT PCT (spot leg) PCR (spot leg)	**CALCULATION OF COUNTERVALUE:** case 1) FOR SHARES $$Countervalue = \frac{Quantity \times Price}{Exchange}$$ case 2) FOR BONDS $$Countervalue = \frac{\dfrac{Quantity \times Price}{100}}{Exchange} \times PoolFactor$$ The countervalue is rounded to the last decimal admitted for the currency in question. If the settlement currency is the Euro, the countervalue is rounded to the nearest cent.

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	- Signs attributed: IF SHARE PURCHASE = '-' IF SHARE SALE = '+'

Sale/purchase and repurchase agreement on securities index-linked to inflation.

For all trades in securities index-linked to inflation, the countervalue is given by the formula set out in the following table.

TABLE 8

OPERATION ACRONYM	DESCRIPTION
CVT PCT (spot leg) PCR (spot leg)	**CALCULATION OF COUNTERVALUE:** $$Countervalue = \frac{\dfrac{Quantity \times Price}{100}}{Exchange} \times \frac{IR_{gr}}{IR_{gb}}$$ where: IR_{gr} = Index of reference on the day of settlement of the operation IR_{gb} = Index of reference on the base day of possession The index of reference is determined by the following formula: $$IR = I_{m-3} + (I_{m-2} - I_{m-3}) \times \frac{gg_m - 1}{gg_m}$$ The result is cut off at the sixth decimal digit and rounded to the fifth m = month of reference I = value of the index The IR value is cut off at the sixth decimal digit and rounded to the fifth. The ratio $\dfrac{IR_{gr}}{IR_{gb}}$, which represents the indexation coefficient, is cut off at the sixth decimal digit and rounded to the fifth. The countervalue is rounded to the last decimal admitted for the currency in question. If the settlement currency is the Euro, the countervalue is rounded to the nearest cent.

5.2 FORWARD PRICE/ COUNTERVALUE

Repurchase agreements
For repurchase agreement trades originating from the market, the forward price of PCT and the counter value of PCR are calculated by the following algorithm:

TABLE 10

OPERATION ACRONYM	DESCRIPTION
PCT	$$PT = (CashPrice + CashAccrual) \times \left(1 + \frac{PCTRate \times PCTTerm}{36000}\right) - Coupon - CouponInterest - Ac$$ The formula indicated above is divided into the following steps: 1. Calculation of the 'as is' forward price $$PT_{tq} = (CashPrice + CashAccrual) \times \left(1 + \frac{PCTRate \times PCTTerm}{36000}\right)$$ The result is cut off at the eighth decimal digit 2. Calculation of the coupon interest $$CouponInterest = \frac{Coupon \times PCTrate \times CouponInterestDays}{36000}$$ The result is cut off at the sixth decimal digit 3. Calculation of the forward ex dividend price $$PT_{cs} = (PT_{tq} - Coupon - CouponInte\,rest - AccrualTerm)$$ The result is cut off at the eighth decimal digit - PT_{cs} is the forward ex dividend price - PT_{tq} is the 'as is' forward price - the PCT RATE is declared in the contract by the two traders. - the PCT is the difference of the days falling between the date of cash settlement and the date of forward settlement. - the COUPON is the amount corresponding to the gross rate reimbursed at the date of payment of the coupon. If the coupon detachment day is not a Target open day, the next Target open day is considered to be the coupon detachment day. - the COUPON INTEREST corresponds to the amount calculated on the cashed coupon, with simple capitalisation, at the rate declared in the PCT considering

	the number of days between the date of payment of the coupon and the date of forward settlement, according to the calendar year.
PCR	For classic repo the countervalue of the forward transaction is determined without calculation of the forward price. Hence the X-TRM Service calculates the countervalue according to the following formula Forward countervalue = "As is" spot countervalue + Repo interest Where the repo interest is calculated according to the following formula: Repo Interest = "As is" spot countervalue X (Repo Interest x Repo Duration) (100*base of calculation) The day of duration of the repo is based on the *money market* ACT/360 Please notice that in the case of variable rate the following formula applies: $$\text{Repo Rate} = \frac{\sum_{i=1}^{N} \text{EONIA}\,i}{N} + spread$$ Where: N: number of days between the spot and the forward Spread: Spread declared by the market and indicated in trade rounded to three decimal places

Repurchase agreement on securities index-linked to inflation

For OTC repurchase agreements, the forward price must be already index-linked before it is communicated.

For repurchase agreement trades in securities index-linked to inflation originating from the market, the forward price of the PCT and the countervalue of the PCR are calculated by the following algorithm:

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TABLE 11

OPERATION ACRONYM	DESCRIPTION
PCT	$$PT = (CashPrice + CashAccrual) \times \frac{IR_{grp}}{IR_{gb}} \times \left(1 + \frac{PCTRate \times PCTaccrual}{36000}\right) - Coupon \times \frac{IR_{gc}}{IR_{gb}} - CouponInterest - AccrualTerm \times \frac{IR_{grt}}{IR_{gb}}$$ The formula indicated above is divided into the following steps: 1. Calculation of the 'as is' forward price $$PT_{tq} = (CashPrice + CashAccrual) \times \frac{IR_{grp}}{IR_{gb}} \times \left(1 + \frac{PCTRate \times PCTterm}{36000}\right)$$ The result is cut off at the eighth decimal digit 2. Calculation of the coupon interest $$CouponInterest = \frac{Coupon \times PCTrate \times CouponInterestDays}{36000}$$ The result is cut off at the sixth decimal digit 3. Calculation of the forward ex dividend price $$PT_{cs} = PT_{tq} - Coupon \times \frac{IR_{gc}}{IR_{gb}} - CouponInterest - AccrualTerm$$ $$\times \frac{IR_{grt}}{IR_{gb}}$$ The result is cut off at the eighth decimal digit - PT_{cs} is the forward ex dividend price - PT_{tq} is the 'as is' forward price - the PCT RATE is declared in the contract by the two traders. - the PCT duration is the difference of the days falling between the date of cash settlement and the date of forward settlement. - the COUPON is the amount corresponding to the gross rate reimbursed at the date of coupon detachment by the issuing entity. If the coupon detachment day is not a Target open day, the next Target open day is considered to be the coupon detachment day. - the COUPON INTEREST corresponds to the amount calculated on the cashed coupon, with simple capitalisation, at the rate declared in the PCT considering the number of days between the date of payment of the coupon and the date of forward settlement, according to the calendar year.

	- .IR_{gr} = Index of reference on the day of settlement of the cash contract - .IR_{grt} = Index of reference on the day of settlement of the forward contract - .IR_{gc} = Index of reference on the day of payment of the coupon - .IR_{gb} = Index of reference on the base day. $$Countervalue = \frac{\dfrac{Quantity \times PT_{cs}}{100}}{Exchange}$$
PCR	Forward countervalue= (''As is'' spot Countervalue + Repo Interest)

5.3 TOTAL COMMISSION

Sale/purchase and repurchase agreements

It is possible to directly indicate the amount of the total commission, expressed in the currency declared for the settlement countervalue. Therefore, total commission is not calculated if declared by the intermediary. Total commission is calculated by applying the declared rate to the ex interest value of the operation.

The total commission calculated is expressed in the same currency as that in which the countervalue is expressed.

TABLE 12

OPERATION ACRONYM	DESCRIPTION
CVT PCT PCR	**CALCULATION OF TOTAL COMMISSION** $$TotalCommi\,ssion = \frac{CountervalueXRate}{1000}$$ The countervalue is rounded to the last decimal admitted for the currency in question. If the settlement currency is the Euro, the countervalue is rounded to the nearest cent. SIGNS ATTRIBUTED: IF THE COMMISSION IS TO BE CHARGED TO THE ISSUER = '-' IF THE COMMISSION IS TO BE CHARGED TO THE COUNTERPARTY = '+'

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5.4 UNIT ACCRUAL

Sale/purchase of cash and repurchase agreements

The calculation of the unit accrual is applied on the above trades in bonds, government bonds, convertible bonds, euro-bonds and asset-backed securities.

The service calculates the accrual by two methods, according to the security involved:

- on the basis of the days of interest and net of the withholding tax for the security

- on the basis of days of interest.

The days of interest are determined by the difference between the date of settlement of the operation and the last date of possession of the security. The days of possession are determined by the difference between the date of the last possession and the date of the next possession, in relation to the date of settlement of the operation.

The calculations are made according to the convention indicated in the regulations for the loan. The conventions for the calculation of days, currently managed by X-TRM, are as follows:

1. ACT/ACT method

   The days of interest are determined by the actual difference between the date of settlement and the last date of possession of the security.

   The days of possession (annual base) to be considered are given by the difference between the date of the last and the date of the next coupon detachment.

   The rate to be adopted is that of the coupon.

2. ACT/ACT ISMA method

   The days of interest are given by the actual difference between the date of settlement and the last date of possession of the security.

   The days of possession (annual base) are the actual days of a year (actual/365 or 366) calculated on the basis of the days falling between the date of the next detachment and one year previously.

   The gross rate to be considered is the annual rate.

3. ACT/360 ISMA method

The days of interest are given by the actual difference between the date of settlement and the last date of possession of the security.

There are 360 days of possession (annual base).

The gross rate to be considered is the annual rate.

4. 30E/360 ISMA EUROPEAN method

The days of interest are calculated according to the commercial year, i.e. the number of days between the two dates considered is obtained by basing the calculations on a year composed of 12 months of 30 days with the following exceptions:

- if it is the 31st of any month, the day is considered = 30

- the two dates considered are transformed into day numbers; calling figures for date1 A1, M1 and G1, and the figures for date2 A2, M2 and G2, the following formula is applied:

$(A2–A1) * 360 + (M2–M1) * 30 + (G2-G1)$

There are 360 days of possession.

The rate to be considered is the annual rate.

5. ACT/365 method

The days of interest are given by the actual difference between the date of settlement and the last date of possession of the security.

There are 365 days of possession (annual base).

The rate to be considered is the annual rate.

In the case of operations with maturities that are after the date of detachment and for which the annual rate of interest is not known (with certainty), the system will use the last certain detachment to calculate the unit accrual. Additionally, the user may directly indicate the amount of the unit accrual, which will be subjected to matching or, alternatively, set the field to zero.

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TABLE 13

OPERATION ACRONYM	DESCRIPTION
CVT PCT PCR	If notified by the user, it must have the following format: max 2 integers max 5 decimals If not notified and if the security provides for accrual, the last date of settlement of the security that is before or the same as the date of settlement of the trade, the rate of the current coupon and the annual rate are found; it the rate is zero, the calculation stops and the unit accrual is zero. The days of interest falling between the date of settlement of the trade and the last date of possession of the traded security together with the days of possession are calculated by one of the methods described above. The unit accrual is calculated by the following formulas: **Method 'A'** $$RL = \frac{TL \times DG}{AnnualBase}$$ $$RRF = \frac{RL \times RF}{100}$$ $$RN = RL - RRF$$ **Method 'B'** $$RL = \frac{TL \times DG}{AnnualBase}$$ RN = Net Unit Accrual RL = Gross Unit Accrual DG = Difference of Days TL = Gross rate RF = Withholding tax RRF = Withholding tax accrual The number of decimal digits to be considered and the rounding or cut-off of the last digit depends on the security. The maximum number of digits currently provide for is 5.

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5.5 ACCRUAL CONTERVALUE

Sale/purchase and repurchase agreements

The countervalue of the accrual, provided for the same trades for which the unit accrual is calculated, is given by the product of the unit accrual, multiplied by the quantity (nominal value) and divided by 100.

To obtain the sum of the accrual countervalue in the settlement currency requested by two intermediaries, the algorithm always divides the amount obtained by the exchange.

Therefore, if the trading currency of the security is different to the settlement currency, the intermediaries are obliged to declare the exchange value, given that the system assumes a value of 1 by default.

TABLE 14

OPERATION ACRONYM	DESCRIPTION
CVT PCT PCR	**CALCULATION OF ACCRUAL COUNTERVALUE** $$CountervalueAccrual = \frac{\dfrac{Unitaccrual \times Quantity}{100}}{Exchange} \times PoolFactor$$ The countervalue is rounded to the last decimal admitted for the currency in question. If the settlement currency is the Euro, the countervalue is rounded to the nearest cent. SIGNS ATTRIBUTED: IF SHARE PURCHASE = '-' IF SHARE SALE = '-'

Sale/purchase and repurchase agreement on securities index-linked to inflation

TABLE 15

OPERATION ACRONYM	DESCRIPTION
CVT PCT PCR	**CALCULATION OF ACCRUAL COUNTERVALUE** $$AccrualCountervalue = \frac{\dfrac{UnitAccrual \times Quantity}{100}}{Exchange} \times \frac{IR_{gr}}{IR_{gb}}$$ The ratio $\dfrac{IR_{gr}}{IR_{gb}}$, which represents the indexation coefficient, is cut off at the sixth decimal digit and rounded to the fifth. The countervalue is rounded to the last decimal admitted for the currency in question. If the settlement currency is the Euro, the countervalue is rounded to the nearest cent. SIGNS ATTRIBUTED: IF SHARE PURCHASE = IF SHARE SALE = '+' IR_{gr} = Index of reference on the day of settlement IR_{gb} = Index of reference on the base day.

5.6 STOCH EXCHANGE TRADES RATE

Sale/purchase and repurchase agreements

In order to guarantee that the settlement of the stamp duty concurs with the settlement of the operations to which the stamp refers, there is an obligation to include the amount of the stamp duty with the accounting data for each individual operation and consequently adopt the individual contract note as an obligation instead of multiple notes.

The calculation is made, only if requested, by an appropriate valorisation of the fields established for this purpose, by two contracting parties and only in the case of actual recovery of stamps (the contract note is issued by the issuer and the amount of stamp duty is paid by the counterparty), given that, in this case only, the amount calculated contributes to the total countervalue of the settlement.

The rate is calculated on the basis of parameters imposed by law.

Given that the base rate, the upper limits (understood as the maximum amount of the rate applicable if the calculated rate is higher) and the minimum taxable amount (understood as the amount below which the tax is not imposed) are

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expressed in Euro, the amount of the rate on stock exchange trades can be calculated only and exclusively on operations that are settled in Euro.

TABLE 16

OPERATION ACRONYM	DESCRIPTION
CVT PCT PCR	**CALCULATION OF CB RATE** $$\mathrm{CBrate} = \frac{\mathrm{T}axablebase + Rounding}{\mathrm{BaseRate}} \times \mathrm{R}ate$$ - Taxable amount: the taxable amount is obtained from the algebraic sum of the countervalue plus any accrual for securities which so provide. Commission and expenses are not part of the taxable amount for the purposes of calculating the stock exchange trades rate. If the taxable amount is not greater than the minimum taxable amount the stamp duty is not paid. If it is greater, it is rounded up to the base on which the rate is applied. - Base rate: the amount on which the rate is applied. - Rate: the coefficient by which the taxable rate is multiplied, as established by law. - CB rate: the amount of stamp duties that must be paid to the tax authorities for that contract note. This is checked against the maximum amount established by law and where necessary replaced by that amount. In the case of repurchase agreements, the halved rate is applied both to the spot transaction and to the forward contract.

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