



EURONEXT SECURITIES

DISCLOSURE FRAMEWORK

For Financial Market Infrastructures

MARCH 2026

/ MILAN

<i>Responding Institution</i>	Monte Titoli S.p.A.
<i>Authority(ies) regulating, supervising or overseeing the FMI</i>	Bank of Italy and Consob
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1. EXECUTIVE SUMMARY

Monte Titoli S.p.A. (hereinafter as “Euronext Securities Milan” or the “Company”) provides relevant information to its participants, Supervisory Authorities and the broader public, to support an accurate understanding of the Company and to improve the overall transparency of its governance, operations and risk management framework in compliance with the Key Consideration 5 Principle 23 of the “Principles for Financial Market Infrastructure” (also named “PFMI”) and the “Disclosure Framework and Assessment methodology”, through the present disclosure.

2. SUMMARY OF MAJOR CHANGES SINCE THE LAST UPDATE

This section summarises the major changes since the last disclosure published in February 2021.

Euronext Securities Milan - as part of Borsa Italiana group - has been acquired by Euronext in April 2021.

It is part of Euronext Securities, which is the Central Securities Depository (CSD) network connecting European economies to global capital markets, including Denmark, Italy, Norway, Portugal and Greece.

The risk management framework is built on comprehensive policies, procedures and controls, including the Risk Appetite Framework (RAF), Enterprise Risk Management Policy (ERMP) and the ICT Risk Management Policy, also in line with DORA Regulation (Principle 3).

Business continuity and ICT resilience are integral components of the framework, supported by detailed continuity plans, automated systems and annual scenario analyses, including disaster-recovery and crisis-management testing (Principle 17).

This document includes an in-depth overview of Euronext Securities Milan, covering its size where appropriate and providing a detailed explanation for each of the 20 relevant principles. Principles 5, 6, 14 and 24 do not apply to Euronext Securities Milan.

This document is subject to a regular update following any material changes or at least every two years.

3. GENERAL BACKGROUND ON THE FMI

General description and the markets Euronext Securities Milan serves

Euronext Securities Milan, is the central depository for the Italian financial market, holding a prominent position in Europe with assets under custody exceeding € 4.3 trillion (data as of 31st December 2025).

Founded in 1978, Euronext Securities Milan became the Italian Central Depository for all domestic corporate financial instruments in 1986. In 2000, it assumed sole responsibility as the Italian central securities depository, succeeding the Bank of Italy's role handling government bonds and consolidating operations under its purview.

Acquired by the Italian Stock Exchange in 2002, Euronext Securities Milan continued to evolve and innovate. Notably, in 2011, it played a pivotal role in Target2 Securities Project, spearheaded by the European Central Bank, being among the first European CSDs to adopt the project (first wave). This initiative aimed to streamline cross-border securities settlements across Europe, successfully completing migration onto the shared regulatory platform by August 2015 (for the Italian market).

Today, Euronext Securities Milan has extensive links with the major CSDs across Europe and some beyond European borders. In December 2019, it obtained the license under the Regulation (EU) No 909/2014 ("CSDR"), further solidifying its status as a key player in the financial landscape.

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It is part of Euronext Securities, which is the Central Securities Depository (CSD) network connecting European economies to global capital markets, including Denmark, Italy, Norway, Portugal and Greece.

Offering settlement and custody services for financial instruments, such as bonds, government securities, debt securities, ETFs and certificates, Euronext Securities Milan serves a diverse clientele of 240 participants and 3,592 issuers (data as of 31st December 2025). Its client base spans commercial banks, global custodian, brokers/dealers, and both Italian and international market infrastructures.

Euronext Securities Milan delivers highly efficient, fully automated operations, providing support across all phases of the client relationship.

With regard to Custody, Euronext Securities Milan offers notary and central maintenance services on any type of non-derivative financial instrument, Italian or foreign, admitted to its Custody system. These instruments can be settled through accounting entries without any physical movement of financial instruments, ensuring stringent safety and efficiency standards.

With the majority of the centralized financial instruments managed in a dematerialised form, Euronext Securities Milan accommodates both Italian and foreign operators, including participants, issuers, and clearing and settlement institutions (CCPs and CSDs), facilitating seamless access to its Custody Services.

General Organisation of the FMI

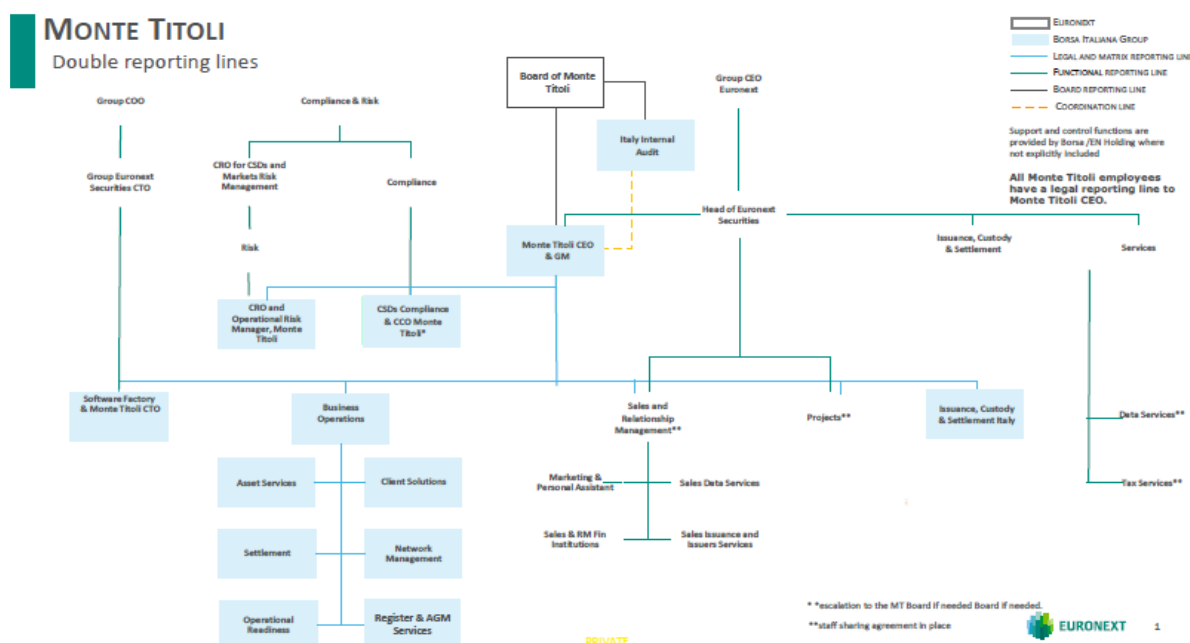
Euronext Securities Milan has established a solid system of governance in compliance with CSDR. The governance structure is built on a traditional model of administration and control, wherein corporate management is the responsibility of the Board of Directors (the "Board") and the Board of Statutory Auditors is responsible for supervising the administration of the company and the effectiveness of internal control systems.

The Corporate Governance system of Euronext Securities Milan includes:

1. **Central Role of the Board of Directors**: the Board holds responsibility for strategic guidance and supervision of the Company's overall business activities. It has policy-making authority in relation to administration and intervenes directly in significant decisions necessary to achieve the Company's objectives. The Chief Executive Officer/General Manager, appointed by the Board, is entrusted with ordinary management powers.
2. **Independence of Directors**: independent directors play a crucial role, particularly in areas involving conflicts of interests, such as risk management and remuneration of directors and key staff involved in control functions.
3. **Committee Structure**: Euronext Securities Milan has established several committees to support the Board activities and ensure accountability to stakeholders:
 - **Audit Committee**: provided for by Article 48 of the Regulation (EU) No 392/2017 ("CSDR RTS"); the Committee is responsible for advising the Board of Directors of the Company on the performance of the Company's internal audit function, which it shall oversee, by making a critical assessment of the independence, objectivity, competence and performance of the Company's internal audit function.
 - **Risk Committee**: pursuant to Article 48 of CSDR RTS and Article 17 of the Company's by-laws ("By-laws"), the Risk Committee is responsible for advising the Board of Directors on the company's overall current and future risk tolerance and strategy, including the Risk Appetite Framework and other relevant documentation;
 - **Remuneration Committee**: provided for by Article 48 CSDR RTS, the Committee advises the Board on the remuneration policy. It oversees and puts forward proposals and reviews its practical operation on a regular basis.
 - **User Committee**: in compliance with Article 28 of CSDR, the User Committee advises the Board on key arrangements that impact on Euronext Securities Milan members, such as: a) admission, suspension, exclusion criteria; b) penalty mechanisms of the Settlement Service; c) procedures for managing the default

of a participant to the Core Services; d) service levels of the settlement service as long as provided and to the extent allowed by the T2S Framework Agreement.

4. Role of the **Board of Statutory Auditors**, which is composed of independent members directly appointed by shareholders, according to the Italian Corporate Law, is entrusted with the responsibility of supervising aspects, ranging from the compliance with law and the Company By-laws, assessing the efficiency of the internal control system, the internal audit functions, overseeing the risk management system, statutory audit of the annual accounts, the independence of the statutory auditor or the statutory audit company.
5. An effective **internal control system** and **pro-active risk management system**.
6. **Code of Conduct**: upheld by principles of independence, impartiality, confidentiality, honesty, loyalty, fairness, and professional competence, the Code of Conduct ensures the independent, efficient and correct performance of the business activity. It includes provisions to manage conflicts of interest, the protection of the customers, and to ensure the orderly execution of services.



Legal and Regulatory Framework

Established in 1987 and under the control of Borsa Italiana Spa, Euronext Securities Milan obtained authorization from Consob and Bank of Italy to operate as a central securities depository in accordance with CSDR as of 19 of December 2019.

Given its nature of CSD, Euronext Securities Milan is not only subject to CSDR, but also to CSDR RTS and the Legislative Decree no. 58 of 24 February 1998 (the "Consolidated Law on Finance"), to the Legislative Decree no. 210 of 12th April 2001 implementing Directive 98/26/CE, as subsequently amended (the "Finality Decree"); to Financial Collateral Arrangements Directive (Legislative Decree 170/2004, "Collateral Law"); and to the Bank of Italy and Consob Joint Regulation governing central counterparties, central securities depositories and central securities maintenance of 13th August 2018 (the "Single Act on Post-Trading");

Euronext Securities Milan is subject to the supervision of Consob and the Bank of Italy, which act as the National Competent Authorities responsible for the regulation and ongoing supervision of CSDs in Italy.

As an FMI operating within the European Union, Euronext Securities Milan is also subject to the oversight of the Eurosystem, in accordance with the *Eurosystem Oversight Policy Framework*. The oversight conducted by the Eurosystem is aimed at ensuring the safety and efficiency of financial market infrastructures and is grounded in the CPSS-IOSCO Principles for Financial Market Infrastructures (PFMIs), which represent the international standards applicable to CSDs.

In 2023, CSDR was modified and integrated by Regulation (EU) no 2023/2845 ("CSDR Refit"). In particular, the main areas of regulatory intervention set for by CSDR Refit are:

- Settlement discipline, with regard to penalty mechanism and mandatory buy-in process;
- provisions of services, in relation to provision of services by third-country CSD, provision of notary and central maintenance services in another Member State, access to commercial bank money
- governance and prudential requirements, in particular in the areas of managing conflicts of interest, in the definition of independent Board members, in the service level for User Committee, in the introduction of regime for qualifying holdings and in the recovery and orderly winding-own plans;
- Supervisory structure, in relation to College of Supervisors and ESMA reports.

As an actor in the financial sector, Euronext Securities Milan is bound also, but not limited to, by the provisions of the Digital operational resilience for the financial sector act (DORA). DORA entered into force in 2023, aiming at strengthening the digital operational resilience of the EU financial sector entities through the upgrading of existing rules and the introduction of new requirements where gaps were identified. DORA sets up a regulatory framework on digital operational resilience so that all financial entities under this regulation have the resources to manage and recover from ICT-related disruptions and threats.

Legislative Decree n.231/2007 (Anti-Money Laundry Decree), Shareholders Rights Directive and the Whistleblowing Directive complete the framework of rules applicable to the CSD as an actor in the financial sector. Moreover, the Consolidated Law on Finance, Article 79-quinquiesdecies, par.1 establishes also that CSDs regulate through their own rules, the services they provide, the relevant procedures for their provision and the criteria for admitting participants.

Without prejudice to the provisions mentioned above, Article 31(1) of the Single Act on Post-Trading provides that the rules of a central securities depository establish the operating procedures and the characteristics of the service for the initial recording of securities, including admission to the centralised management system as issuers and the operating procedures and the characteristics of the service of managing securities accounts in relation to the settlement service in the context of a link with another CSD.

To this extent, the Service Regulations of Euronext Securities Milan, which governs the organisation and operation of the services as CSD, are adopted by the Board and approved by Consob by agreement with Bank of Italy and include also the Service Instructions and other Operating Documents.

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

In the event of any amendment of the Service Regulations and the General Terms and Conditions, Euronext Securities Milan shall inform its clients by posting a notice on its website at least fifteen calendar days before the effective date of the amendments.

Systems Design and Operations

As manager of custody, pre-settlement and settlement services and with its participation in T2S and in foreign custody and settlement systems, Euronext Securities Milan performs several activities linked to the whole lifecycle of a transaction on financial instruments.

The pre-settlement service allows the routing of markets and/or OTC (Over-the-Counter) contracts to settlement systems.

X-TRM is the Company's pre-settlement platform that manages a wide range of post trading activities: settlement management, automatic enrichment of settlement fields, central counterparty interposition, and net balances calculation. It integrates sophisticated features for transaction acquisition, acknowledgment, confirmation and forwarding of transactions, as well as handling corporate actions on failing transactions and operational reporting.

Thanks to its data enrichment functions, X-TRM allows complete automation of the entire post-trade process from negotiation to contract execution. With its interposing and position netting capabilities, X-TRM offers central counterparties a range of complex tools for effective risk management.

Settlement service is managed through T2S, the platform managed and provided by the European Central Bank (ECB). T2S guarantees real-time Delivery versus Payment (DvP) settlement in Central Bank money. T2S operates on an "integrated model", managing both

cash liquidity and securities through a single IT platform. National Central Banks define specific Dedicated Cash Account (DCA) for users to exchange liquidity with the T2 payment system for Euro currency. Clients can access T2S directly (DCP mode) or indirectly (ICP mode).

The settlement service offers all the functionalities of the T2S platform to both DCP and ICP, including liquidity management, securities accounts management, transaction life cycle management from validation to settlement, matching and related features such as the Hold/Release mechanism and auto-collateralisation both 'on stocks' and 'on flows', along with information services.

It is also offered a settlement service with (I)CSDs not in T2S (i.e. "external settlement") through dedicated processing.

Asset servicing, which includes the Custody services, allows customers, issuers and participants to manage their securities in an efficient and automated manner.

Euronext Securities Milan provides a comprehensive suite of services that guarantee the complete, accurate, and efficient administration of financial instruments, both Italian and foreign, centralized within its system. These instruments span various categories: government bonds, corporate bonds (including asset-backed securities), shares, warrants/covered warrants, and mutual funds (closed-end funds, real estate funds and ETFs).

Euronext Securities Milan serves as the sole authorized depository for centralized management on Italian public debt securities. It ensures automated execution of corporate actions in compliance with international standards, maintaining direct relationships with issuing companies of financial instruments under Italian law, and also with the main foreign custody systems for foreign financial instruments. This enables prompt forwarding of all corporate actions information directly from official sources (the issuer or the issuer CSD) to clients, ensuring consistency and detail.

Euronext Securities Milan can manage any type of corporate actions in compliance with International standards (SCORE, CEJWG, T2S Standards, etc.): dividend payments (equities), income (funds) and interests (bonds and ABS), voluntary corporate actions (e.g. capital increases, warrant exercises), mandatory corporate actions (e.g. mergers, demergers, free share assignments, free capital increases).

For transactions involving the management of payments (payment of dividends, proceeds, interest and payable capital transactions), the issuer elects a paying agent to whom the related instructions for the payment will be sent automatically; when payments are released by the "issuer CSD" of another country, Euronext Securities Milan receives the funds and credit them to its Clients with the same value date whether it is euro or other currency.

The corporate actions service of Euronext Securities Milan offers the following functionalities: receiving information on corporate actions, including those necessary for voting in meetings, automatic collection of fees accrued on centralized financial

instruments both in euro and other currencies, complete information on payments, both forecasting and settlement of proceeds, participation in voluntary and mandatory corporate actions in euro and other currencies.

Asset Services also includes FIS services for sending shareholder data to issuers, providing notification for registered shareholders, from participants to issuers, related to: participation in the General Meeting (CPA), dividend payment and right issue (DIV/TOS) (FIS), aimed at updating the shareholders register.

Through FIS, notifications sent by the participants are automatically checked and matched before being made available for the intended issuers with creation of a log file detailing the result. Formally correct notifications are automatically processed and made available to the Issuers. Formally erroneous notifications are registered in standby status and may be corrected or forwarded to the Issuers, at participants' discretion. On-line alerts are automatically created, for participants and issuers, in order to keep track of deadlines for sending files (participants) and for receiving them (issuers). Participants can send partial notifications and notifications on behalf of downstream correspondents. Notifications sent via FIS services are automatically registered in RCC service, allowing participants to receive the fees that are to be paid by the issuers.

The RCC Service, available on the Mt-x technological platform, manages, in a completely automated manner, the calculation, the check and settlement of the fees to the participants for their participation in corporate actions performed by issuers. Client fees settlement service (RCC) allows settlement of fees to be paid by issuers to participants in connection with the notifications of the shareholders' details for each corporate action in the securities account of the final investors. The service is offered in both interactive mode (via Mt-x platform) and non-interactive mode (only calculation and payment of the fees).

Interactive mode provides the full range of features, including: calculation of the fees to be settled, access to detailed payment reports, on-line storage of all paid reports, modification of the fees drivers and amounts to be paid (only for issuers), a tool for issuing and receiving invoices related to fees (applicable only for fees coming from notifications referring to General Meetings), the fees are automatically settled, at the expected deadlines, in the BI-COMP system (Bank of Italy cash settlement system).

Fiscal services are part of asset services, offering solutions and services on Italian financial instruments to non-resident clients with direct account(s). Euronext Securities Milan may act on behalf of non-resident clients qualified as second-level banks, in accordance with the procedure of Article 7 of Legislative Decree No. 239/1996 and D.M. 632/1996. To this end, clients must send an official communication to the Italian Tax Agency (form 118 / IMP), declaring their status as second-level banks and indicating Euronext Securities Milan as the tax representative in Italy for bonds portfolios.

The same service is offered for:

- Italian equity, under art. 27-TER of Presidential Decree 600/1973
- Italian Real Estate Funds (REITs) under Law Decree 351/2001, art. 7 comma 2-TER

but in this cases registration with Italian Tax Agency by the client is not requested.

Euronext Securities Milan offers a tax service for the US market, thanks to its role as Qualified Intermediary (QI) with primary responsibility.

Clients can hold US securities in their account(s), which should be documented according to the QI level responsibility they assume.

In order to collect US payments with tax exemption or at expected tax rate, clients should send instructions through the channels specified in the Service Guide.

Tax Adjustment is part of the offer and can be requested within the same fiscal year in which original payment was processed.

Euronext Securities Milan provides to pay due tax amount to the US Tax Authority (IRS) and to send expected tax reporting.

Euronext Securities Milan support Tax refund for clients, Quick or Standard depending on availability, in many European markets, such as France, Germany, Spain, Portugal and Finland.

4.PRINCIPLE-BY-PRINCIPLE-SUMMARY NARRATIVE DISCLOSURE

Principle 1: Legal Basis

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

Key consideration (KC) 1: The legal basis should provide a high degree of certainty for each material aspect of an FMI's activities in all relevant jurisdictions.

According to both European (Article 10 CSDR) and Italian Law (Article 79-undecies Consolidated Law on Finance), a company needs to be duly authorised by the Competent Authority (Consob and Bank of Italy in Italy) to operate as a CSD, as defined within Article 2(1)(1) CSDR.

According to Article 43 CSDR, for the purpose of its authorization and supervision, as well as for the information of its clients, a CSD shall have rules, procedures, and contracts that are clear and understandable for all the securities settlement systems that it operates and all other services that it provides. It also holds the obligation to design its rules, procedures and contracts so that they are enforceable in all relevant jurisdictions (including in case of the default of a participant). Where it wanted to conduct business in different jurisdictions, it has to ensure to identify and mitigate the risks arising from potential conflicts of law.

In compliance with the regulatory requirement established by Article 16 et seq. CSDR, as of 19th December 2019 Euronext Securities Milan received from Bank of Italy such

authorization to operate as a CSD. Currently, Euronext Securities is the only authorized CSD in Italy.

All the above considered, the following laws, regulations and contractual framework are applicable to Euronext Securities Milan and to the services it provides:

- Consolidated Law on Finance;
- Finality Decree; Financial Collateral Arrangements Directive (Legislative Decree 170/2004, "Collateral Law")
- Single Act on Post-Trading;
- The Service Regulations (also referred to as the "Rules"), as amended, approved by Banca d'Italia and Consob and related Instructions; General Conditions (also referred to as "General Terms and Conditions for the Provision of Services"), including Part I, Part II and related Annexes.

The legal framework under which the CSD operates provides for a clear and effective legal basis regarding each material aspect of the CSD activities such as right and interests in the financial instruments, settlement finality, immobilization and dematerialization of securities, collateral arrangements.

Such legal basis supports the enforceability of such material aspects of the CSD operations and ensures that actions undertaken by the CSD under rules and procedures are compliant with such legal basis will not be voided, reversed or subject to stays.

For example:

1. The Finality Decree (Article 2) specifies that no actions, including any actions aimed at obtaining that the transaction is declared void, may adversely affect, vis-à-vis the system, the finality of transfer orders, of the netting and of any payments and transfers resulting therefrom, among participants to the system.
2. The Consolidated Law on Finance clearly defines the legal effects arising from a credit book-entry of dematerialized securities on securities accounts, thus making securities transfers valid and enforceable:
 - the person in whose name the account is kept has full and exclusive title to exercise any rights attaching to the financial instruments credited to the account, in accordance with the legal regime applicable to any such financial instruments and is entitled to transfer such rights in accordance with Italian law; and
 - the person in whose name the book-entry is made cannot be subject to any claims or actions by any of the previous owners of the financial instruments, provided that the rights were acquired pursuant to a good title and in good faith.
3. The Consolidated Law on Finance guarantees that the transfer of paper securities immobilized at the CSD securities has the same effects as a transfer made pursuant to the rules governing the circulation of the relevant financial instruments.
4. The legal framework provides for a set of rules aimed at protecting rights of the account holders on securities held by participants with a CSD (see following paragraph).

Protection of participant securities

Protection of rights and interests in financial instruments according to the above is granted by segregation rules provided by the legal basis (including Art. 38 of CSDR) aimed at

protecting the CSD's participants and their clients against the insolvency of another CSD participant or of the CSD.

The relationship between the account holder and the participant is qualified as deposit under Italian law.

According to Article 38(7) CSDR, Euronext Securities Milan is prevented to use financial instruments recorded in the account of its participants without having acquired the previous written consent from each participant. Under the current regulatory and contractual framework Euronext Securities Milan is not allowed to use participants' asset for any purpose, so no such a consent has been acquired.

Italian law establishes segregation rules applicable to participants aimed at protecting the assets they hold on behalf of their clients against the insolvency of the participant itself or of any upper-tier intermediary.

The participant is required to maintain full segregation of the securities of its clients from its own securities and segregation must be evidenced in the accounting record of the participant. Moreover, the participant shall record, for each account holder the financial instruments held, their transfer, the rights exercised and any restrictions in separate accounts, separated from each other and with respect to any of the relevant accounts of the participant itself.

According to Article 22 of the Consolidated Law on Finance, in the provision of the investment services and ancillary services, the financial instruments belonging to their clients, held for any reason by investment firms and banks for any reason are for any purpose separate estate from that of the participant and of other clients. Actions in respect of such assets cannot be brought by creditors of the participant or on behalf of such creditors, or by creditors of the depositary or the sub-depositary if any, or on behalf of such creditors.

Based on the aforementioned segregation rules, participants must hold at any sub-depositary the securities belonging to the clients in one or more accounts opened in their own name, with an indication that the securities belong to third parties. Moreover, such accounts must be segregated from the participants' own account.

The operation of segregation rules applicable to participants, as described above, together with segregation rules set forth in Article 38 of CSDR prohibit without exception:

- the creditors and the liquidator ("commissari liquidatori") of the participant from claiming from any "sub-depositary" securities belonging to the participants' clients and
- the creditors and the liquidator of the CSD to exercise any actions or attachments thereon.

More details concerning the asset protection and the legal implications of segregation are available in the document "Description of levels of segregation according to Article 38 (6) of Regulation n. 909/2014" which is published on **Euronext Securities Milan** web site.

Dematerialisation and immobilisation

Italian law provides for a clear and sound basis for admission and book-entry transfers of dematerialised securities. Pursuant to the Consolidated Law on Finance, Article 83-bis, all (transferrable) securities admitted to trading or traded on an Italian or other European Union country trading venue with the consent of the issuer must be registered by way of book-entry in an account held by the issuer of the securities or by one of the participants participating the system. Therefore, securities are admitted in Euronext Securities Milan and circulate via book-entry.

In relation to the securities accounts held by participants with Euronext Securities Milan, the entitlement to securities held with Euronext Securities Milan is regulated by Italian Law; similarly, the rights in rem with respect of securities held by the account holder with an Italian participant is regulated by Italian Law.

Settlement Finality

Settlement finality is governed by the Settlement Finality Directive implemented with the Finality Decree. This legislation effectively ensures irrevocability and finality of transfer orders executed in a securities settlement system ("System"). Euronext Securities Milan, is designated as a 'System' under Italian law. In case of insolvency proceedings affecting a participant in the System, the law refers to the rules of the System to determine the moment of (i) entry of transfer orders in such System, (ii) irrevocability of transfer orders (if any such moment is determined) and (iii) finality of transfer orders executed by the System.

According to Finality Decree (Article 2), transfer orders, netting, and any payments and transfers deriving therefrom are binding on those participating to System (including on Euronext Securities Milan) and in the event of an insolvency proceeding has been opened against a participant - on third parties, including the relevant Authority responsible for the insolvency proceedings, provided that the transfer orders:

- a) were entered into the System before the moment of opening of the insolvency proceedings;
- b) were entered into the System after the moment of opening of the insolvency proceedings and carried out on that day, in the event settlement agent or central counterparty or clearing house proves that at the time of entry they were not aware, nor should have been aware, of the opening of the insolvency proceedings.

Furthermore, in the event of an insolvency proceeding being opened against a participant, the rights and obligations arising from, or in connection with, the participation of that participant shall be determined by the law governing that System (Article 7 Finality Decree). In light of the above, the only applicable law (in determining the rights and the obligations of a participant upon the opening of an insolvency proceeding) is the Italian law.

The finality rules of Euronext Securities Milan System are set out in the Service Regulations of Euronext Securities Milan and approved by Bank of Italy and Consob. Such documents are published on **Euronext Securities Milan** web site.

Linking to other CSDs

As a general rule, for securities held (through links) with other central securities depositories (directly or through an intermediary), the transfer of securities is governed by the rules of the receiving CSD, including finality rules.

Before opening links with other foreign central securities depository, Euronext Securities Milan performs an initial verification of the local legislation to ensure that securities held with such foreign central securities depository benefit from a level of asset protection comparable to the level of asset protection in their own jurisdiction. This assessment is performed both in case of links with EU and non-EU CSDs. A review of the local legislation is performed periodically.

As to links with other T2S CSDs, the "Collective agreement" between the European Central Bank (ECB), the national central banks operating TARGET2 and the central securities depositories which have migrated to T2S, supports legal certainty in cross border provides a definition of common moment of entry of the transfer orders into a system and of common moment of irrevocability of such transfer orders. Such moments are determined by reference to procedures on the T2S platform.

Default procedures

Please refer to Principle 13 – Participant default rules and procedures.

Euronext Securities Milan has put in place detailed recovery and resolution plans for itself. For more details, please refer to Principle 3 – Framework for the management of risks.

Key consideration (KC) 2: *An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.*

According to Article 43 of CSDR, "Legal risks"

1. For the purpose of its authorization and supervision, as well as for the information of its clients, a CSD shall have rules, procedures, and contracts that are clear and understandable for all the securities settlement systems that it operates and all other services that it provides.

2. A CSD shall design its rules, procedures and contracts so that they are enforceable in all relevant jurisdictions, including in the case of the default of a participant.

The main contractual documentation (the "Documentation") of Euronext Securities Milan consists of:

- CSD Rules
- Operational Instructions
- Euronext Securities Milan General Conditions
- Annexes to Euronext Securities Milan General Conditions (where applicable)

The Documentation is drafted in a clear and readily understandable wording, adhering to the common market standard language and to the applicable legal and regulatory

framework - listed under Key consideration 1 - and has been approved by the Competent Authority when granting the relevant authorisations to Euronext Securities Milan.

Furthermore, the Documentation which is required to be signed by clients of Euronext Securities Milan (i.e. participants and issuers) constitute general terms and conditions prepared by one of the contracting parties according to Article 1341 and 1342 of the Italian Civil Code. Such documentation is effective towards the other party if, at the time of the formation of the contract, the latter knew them or should have known them by using ordinary diligence. The General Conditions through which Euronext Securities Milan offers its services (both core and ancillary), clearly state the hierarchy and the rules to be applied in case of conflict or incompatibility between the different pieces of the Documentation; such pieces of Documentation are clearly connected to each other by clear and understandable cross references and also through the use of a harmonized set of definitions.

The applicable law (i.e. Italian Law) and the relevant jurisdiction (i.e. Italian Courts) are clearly stated in the General Conditions.

Articles 1341 and 1342 of the Italian Civil Code does not apply to main contracts Euronext Securities Milan has entered into as client or recipient of services, as they have been negotiated bilaterally and fully accepted by signing parties.

The Documentation is always updated in accordance with the terms and modalities for unilateral amendments set forth in the General Conditions, and it is published on the website before the coming into force of such amendments with a mark-up showing the applied changes.

General Conditions are always available in the Italian and English versions, and the translation is executed by qualified translators expert in the field. However, the same provides that the parties agree that in the event of a discrepancy between the two versions, the version in the Italian language shall prevail. Major changes to the CSD Rules and the General Conditions are preceded by market consultation. Clients are thus informed in this context and they are able to raise any request for clarification or further information: such feedback is taken into account when considering amendments to the wording of the relevant provisions. Finally, the CSD Rules and amendments are subject to the approval of the Competent Authorities, as further assurance that are consistent with relevant laws and regulations.

Key consideration (KC) 3: *An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.*

Euronext Securities Milan regularly describes the legal basis for its activities to relevant authorities, its participants members, and even the general public. Regulations and technical documentation of Euronext Securities Milan are accessible also in English language on the company's website. Besides, Euronext Securities Milan provides answers to relevant questionnaires regarding the post-trading industry that, giving an overview of the system, contribute to the knowledge of its legal framework. The contractual framework

of Euronext Securities Milan makes explicit reference to the applicable laws and regulations, where necessary, and includes provisions clearly stating which are the governing documents of each service.

Laws and regulations, published on the Italian official journal (named "Gazzetta Ufficiale"), are also available in Italian and English on Authorities' websites.

Key consideration (KC) 4: *An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.*

As stated in key consideration 1, the legal framework under which the CSD operates, provides for a clear and effective legal basis regarding each material aspect of the CSD activities such as right and interests in the financial instruments, settlement finality, immobilization and dematerialization of securities, collateral arrangements.

Such legal basis supports the enforceability of such material aspects of the CSD operations and ensures that actions undertaken by the CSD under rules and procedures are compliant with such legal basis will not be voided, reversed or subject to stays. With respect to this, examples are provided under Key consideration 1.

In relation to the enforceability of the Documentation, Euronext Securities Milan has made assessments on the potential invalidity of single main clauses which could affect the entire validity and enforceability of the contracts. In particular, with reference to the clause governing Euronext Securities Milan contractual liability within General Conditions, Euronext Securities Milan obtained an opinion from a law firm assuring that the current liability framework is in line with applicable Italian law and therefore valid and enforceable. Article 43 CSDR already requests enforceability in all relevant jurisdictions, including in the case of the default of a participant. For the purpose of obtaining the authorization, Euronext Securities Milan has undertaken a detailed legal analysis to evaluate the existence of impediments to enforceability. Such analysis is based on the evaluation of the applicable law and relevant jurisdiction, therefore properly taking into account such aspects. Euronext Securities Milan has been granted the authorization to operate by the Competent Authority. In addition, the enforceability is also ensured by the Company's Rules, which have to be accepted and apply to any participant in the system.

Specifically, the existence of any impediments to the application of the General Conditions, the Rules and the related instructions for the admission of non-EU entities is ruled by Article 6 of the Rules for the purpose of such evaluation, Euronext Securities Milan reserves the right to request specific information or certifications, including legal opinions or agreements. Such requests for information might also refer to the validity of the choice of law and competent jurisdiction. Moreover (Article 59), Euronext Securities Milan reserves the right to request non-EU intermediaries' information or certifications to evaluate the requirements set forth by Article 89 para. 2 and 5 of Regulation (EU) No 392/2017

In addition, according to the Rules (Article 59), participants are entitled to request Euronext Securities Milan to qualify their clients, including non-EU clients, as "indirect

participants” if the participant has verified that in case of opening of an insolvency procedure with respect of the client, Euronext Securities Milan Rules and the measure dated 2 August 2018 issued by Bank of Italy and Consob pursuant to Article 10 paragraph 4 of legislative decree 210/2001 can be applied with no impediments, taking into account the regulatory framework applicable to the client.

Euronext Securities Milan Rules also include provisions on admission requirements for financial instruments.

In particular, Euronext Securities Milan assesses the provisions of corporate law, or any other similar law, of the legal system applicable to shares, in order to verify whether specific measures are necessary to allow the issuer and participants to comply with these provisions and consider such assessment when deciding to accept or reject the admission pursuant to Article 49, paragraph 3 of the CSDR. For the purpose of such certification, Euronext Securities Milan reserves the right to request issuers to provide a legal opinion of a lawyer qualified to practice in the jurisdiction of the issuers. Moreover, as stated above, a general rule for the admission of non-EU entities, Euronext Securities Milan will evaluate the existence of impediments to the application of the General Conditions, the Rules and the related Instructions and reserves the right to request non-EU entities specific information of certifications, including legal opinions or agreements. Such requests for information might also refer to the validity of the foreign law and competent jurisdiction.

Key consideration (KC) 5: *An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.*

It is worth mentioning that in line with key consideration 5, art. 43 CSDR requires that a CSD conducting business in different jurisdictions “shall take all reasonable steps to identify and mitigate the risks arising from potential conflicts of law across jurisdictions”. An analysis has been developed in such respect in order to obtain the authorisation. The Competent Authorities have granted authorisation to Monte Titoli to operate.

As already mentioned under key consideration 2, the contracts through which Euronext Securities Milan offers its services (both core and ancillary) clearly state the hierarchy and the rules to be applied in case of conflict or incompatibility between the different pieces of the Documentation; such pieces of Documentation are clearly connected to each other by clear and understandable cross references and also through the use of a harmonized set of definitions.

The CSD conducts business in different jurisdictions, and, as consequence, a potential conflict of laws might arise in case:

- a) it offers its services to participants based in foreign jurisdictions;

it offers the notary service and the central maintenance service in relation to securities regulated by foreign jurisdictions (according to Article 23 of CSDR);

- b) it holds securities on behalf of its customer through a link with a foreign CSD.

Principle 2: Governance

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

Key consideration (KC) 1: An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations.

Euronext Securities Milan is supervised by Bank of Italy, with reference to the stability and the reduction of systemic risk, and by Consob, with respect to transparency and investor protection. Italian law provides the two above-mentioned Authorities with extensive regulatory, informative and enforcement powers vis-à-vis Euronext Securities Milan.

The Board of Directors is responsible for the strategic guidance and supervision of the Company's overall business activities as well as of the risk management framework, so that the risks assumed in the framework of the Company's business activities are consistent with the strategic guidelines. Top and senior management is responsible for the alignment of operational processes and procedures of Euronext Securities Milan to the aforesaid guidelines.

Among its main objectives, Euronext Securities Milan, through the mitigation of risk and the provision of sound risk management, ensures the correct and smooth functioning of the securities depository and settlement services, by doing so, contributes to the protection of Euronext Securities Milan participants, their clients and the markets served, supporting the stability and efficiency of the financial system.

The Company's main objectives, also mentioned in the Service Regulations of Euronext Securities Milan, specifically place high priority on safety and efficiency by ensuring:

- the maintenance of efficient physical and logical data protection related to the system;
- the adoption of recovery, reactivation and restoration procedures for data processing to ensure the service continuity;
- the quality of settlement process, position keeping and Straight-through Processing (also named "STP") post-trading functionalities.
- Furthermore, in order to assess whether the aforesaid objectives have been achieved, Euronext Securities Milan adopts:
 - an Enterprise Risk Management Policy in order to ensure the mapping, the periodical assessment of the relevant risks for Euronext Securities Milan and the overall safety of the operational process;
 - a governance control framework, whereby the second and third level controls aim, inter alia, at assessing the compliance of the Company with the goals set and reporting the results to the Board of Directors, Board of Statutory Auditors and top management.

As an entity authorized to operate as CSD and due to its role as systemically important market infrastructure, Euronext Securities Milan contributes to support, in cooperation with the other FMIs, the financial stability through the adoption of a clear organizational

structure with well-defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed, and adequate internal control mechanisms.

The support of public interest considerations, which for Euronext Securities Milan consists in protecting participants and other relevant stakeholders, is ensured by a range of measures, in particular:

- Sales and Relationship Management team covers services offered by Euronext Securities Milan. The team actively holds regular meetings with domestic and international clients and prospects to ensure good level of satisfaction with services offered, presentation of roadmap and new services and main industry trends;
- establishment of a Post Trade Participant Committee (also "PTPC") with all its domestic clients and the attendance of the Authorities as observers - with the aim of: (i) evaluating operational needs and implementing the related new services; (ii) identifying new initiatives in order to increase post trade efficiency of guaranteed transactions (iii) present roadmap;
- undertaking consultation processes in the circumstance of amendments to the Company's Regulations, in case of implementation of new regulations or new services;
- meetings shall be arranged, upon occurrence, with Bank of Italy, Consob and Ministry of Economy and Finance, depending on the specific subject;
- the involvement of the Risk Committee, if the topic is within its remit, in order to provide a mandatory non-binding opinion.

Key consideration (KC) 2: *An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.*

Euronext Securities Milan has defined a clear set of governance arrangements in accordance with the applicable regulatory framework (in particular Articles 26, 27 and 28 of CSDR and Regulation (EU) No 392/2017).

The governance arrangements of Euronext Securities Milan are documented through a series of relevant internal rules, policies, procedures and manuals and grouped into an overall document which includes a detailed description of the following:

- the composition, role, responsibilities, procedures for appointment, performance assessment and accountability of the management body and of its risk monitoring committees;
- the structure, role, responsibilities, procedures for appointment, performance assessment and accountability of the senior management;
- the reporting lines between the senior management and the management body.

In addition, the document provides an overview of Euronext Securities Milan internal controls framework and other Euronext Securities Milan governance policy and procedures required by CSDR to enable the Board of Directors and Competent Authorities to evaluate the overall compliance of governance system of Euronext Securities Milan.

Euronext Securities Milan is a joint stock company adopting a system of management and control where competences are split between the management body – identified in the Board of Directors – and the control body, the Board of Auditors. In accordance with the relevant domestic company law provision, the Company's by-laws set out the main governance arrangements (organizational and capital requirements) as well as specific obligations of the management and control bodies.

The Board of Directors of Euronext Securities Milan is responsible for the strategic guidance and supervision of the Company's overall business activities, as well as of the risk management process, so that the risks assumed in the framework of the business activities of Euronext Securities Milan are consistent with the strategic guidelines. The Board of Directors is also responsible for the appropriate arrangement of the control on accounts and finances of Euronext Securities Milan.

Without prejudice to any reserved matters, the Board has delegated managerial and representative powers to some Directors and to the General Manager, in compliance with the By-Laws. Executive Directors are the CEO and the Finance Director.

Euronext Securities Milan adopts an efficient and solid delegation of powers mechanism which ensures the accountability of the management, responsible for day-to-day operations and under the oversight and coordination of the General Manager, appointed by the Board of Directors.

Composition, roles and responsibilities of the management are clearly defined and are reflected in the organizational chart and organizational manual.

The overall system of rules, procedures and policies governing the performance of the custody and settlement activities of Euronext Securities Milan limits the exercise of senior management discretion in the adoption of individual decisions, thus limiting in an effective manner the risk that such decisions are taken to the detriment of one or more Users.

Rules governing the services are publicly available on Euronext Securities Milan website. Amendments to the Rules are consulted with stakeholders and with the User Committee (where appropriate) and then submitted to Euronext Securities Milan Board of Directors and Competent Authorities for final approval.

The audit of the financial statements is performed by an independent audit firm, appointed by the Shareholders' meeting, according to the applicable law (in particular legislative decree n. 39/2010). Last audited financial statements are available on the website of Euronext Securities Milan.

The composition, roles and responsibility of the Board of Directors are further described in key consideration 3.

All key documents concerning the governance arrangements are filed in the company register and are, therefore, disclosed to the public. These include, inter alia, articles of association, by-laws, functions of the board, framework of delegated powers, composition of the Board of Directors and of the Board of Statutory Auditors, information regarding the audit company, shareholders' register, copy of relevant resolutions concerning mergers, stock dividends, capital increases.

Euronext Securities Milan provides extensive disclosure of its main governance arrangements on the company's website, in particular:

- *information concerning the group structure;*
- *by-laws;*
- *information concerning the Board of Directors;*
- *information related to Audit, Remuneration and Risk Committees;*
- *remuneration framework.*

The governance arrangements of Euronext Securities Milan are also made available to Competent Authorities as part of the documentation attached to the initial application for authorization and in the context of annual review process in order to monitor compliance with governance requirements as provided by Regulation (EU) No 909/2014 (CSDR) and Regulation (EU) No 392/2017.

Key consideration (KC) 3: *The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. the board should review both its overall performance and the performance of its individual board members regularly.*

Euronext Securities Milan adopts the traditional system of administration and control, whereby corporate management is under the responsibility of the Board of Directors and overall control activities are assigned to the Board of Statutory Auditors.

The Board of Directors is responsible for the strategic guidance and supervision of the Company's overall business activities, as well as the risk management process, so that the risks assumed in the framework of the Company's business activities are consistent with the strategic guidelines. Within the Board, non-executive and independent Directors are directly involved in areas where any potential conflict of interest may arise, such as risk management and internal controls, remuneration, and financial reporting.

The Board is entrusted with all the powers for the ordinary and extraordinary management of the Company in accordance with the provisions of law, rules and By-Laws and has the faculty to do all such acts considered necessary or useful to achieve the company purpose.

Roles and responsibility of the Board are clearly established in the Italian Company Law and specified in the By-Laws of Euronext Securities Milan and in the Board's Terms of Reference. Within Board's Terms of Reference, inter alia, the rules governing the functioning of the Board are defined, such as the conduct and rules of meetings, the reserved matters and the powers of Directors, the rules of Directors' interests and the Board self-evaluation process.

Without prejudice regarding any reserved matters, the Board has delegated managerial and representative powers to some Directors and to the General Manager, in compliance with the By-Laws. Executive Directors are the CEO and the Finance Director. Currently the role of the General Manager is being performed by the CEO.

The CEO has executive powers and is entrusted with all the powers related to the performance of the custody and settlement services as well as of the relevant ancillary services run by the Company. He is responsible for (i) day-to-day management of Euronext Securities Milan; (ii) implementing resolutions adopted by the Board of Directors and - in accordance with the powers attributed to him - the plans and strategic directions established by the Board of Directors; (iii) ensuring that the internal control system of Euronext Securities Milan is adequate.

The Finance Director is granted all the powers related to administrative and finance matters. In particular, he is accountable for the (i) Italy Statutory and Regulatory reporting, (ii) co-ordination of Italian legal entity budgets and delivery to Board of Directors for approval, (iii) direction of the operations and implementation and enforcement of the strategy and management within the finance function.

The Board of Directors is supported by the following committees, in compliance with the applicable EU rules:

- a) a Risk Committee (RC) responsible for advising the management body on CSD's overall current and future risk tolerance and strategy. In particular, the RC will give its advice on Euronext Securities Milan Risk Appetite Framework.
- b) an Audit Committee (AC) responsible for advising the management body on the performance of the CSD's internal audit function, which it shall oversee.
- c) a Remuneration Committee (RemCO) responsible for advising the management body on the CSD's remuneration policy, which it shall oversee.

The Risk Committee consists of a minimum of three members, who are appointed by the Board according to the following rules:

- a) At least the majority of members of the Risk Committee are appointed among independent members of any of the boards of directors of the central securities depositories (CSDs) controlled by Euronext;
- b) The Chairman of the Risk Committee shall be independent from the executive members of the Board of the Euronext Securities Milan;
- c) At least one member of the Risk Committee may be appointed among Euronext employees. Members of the Risk Committee appointed among Euronext employees will ensure consistency in risk management best practices within the Euronext Group

The Audit Committee is composed of 5 (five) independent members. The appointed Audit Committee Chairman is a person with relevant and up-to-date auditing qualifications.

The Audit Committee assists the Board of Directors by advising on the performance of the Company's internal audit function, which it shall oversee.

The Audit Committee must make a critical assessment of the independence, objectivity, competence and performance of the Company's internal audit function.

The Audit Committee maintains close working relationships with the Board of Directors of the Company, the Chief Executive Officer of the Company and the Audit Committee of Euronext N.V. ("the Euronext Group") so as to ensure that the Audit Committee takes into account both local and group dimensions when fulfilling its duties.

The Audit Committee should encourage continuous improvement, and should foster adherence to the Company's policies, procedures and practice at all levels.

The Audit Committee may ask the Internal Audit function to carry out ad hoc audits on specific business areas, immediately notifying the Chairman of the Board of Directors. The Audit Committee makes recommendations to the Board of Directors on potential risk issues or deficiencies that may have been founded in the internal control system, urging corrective measures and monitoring the fulfilment (action plan/follow up).

The Remuneration Committee is currently composed of members who are the members of the Euronext NV Remuneration Committee. The Chairman of the Remuneration Committee is independent from Euronext Securities Milan executive directors and has an appropriate experience in the remuneration field.

The Remuneration Committee shall assist the Board of Directors with respect to the Euronext Securities Milan S.p.A.'s Policy for remuneration of the senior management and the staff employed in the risk management, compliance and internal control, internal audit and technology functions and other personnel and report at least annually on the Remuneration Policy, for discussion at Board of Directors meetings.

The Board of Directors has established a User Committee composed of representatives of issuers and participants, according to the EU Rules.

The User Committee shall give the Board of Directors mandatory non-binding advice on key arrangements that impact on their members (including the criteria for accepting issuers or participants in their respective services and on service level) and related amendments to Euronext Securities Milan Service Regulations. The Board of Directors must ensure that Competent Authorities are informed any time it does not follow the User Committee's opinion.

In addition, the User Committee may submit a non-binding opinion to the management body regarding the pricing structures of Euronext Securities Milan. The Board of Directors receives User Committee's advice and opinions from the Chairman of the User Committee who represents the UC vis-a-vis Euronext Securities Milan.

For what concerns the conflicts of interest management, it shall be highlighted that Euronext Securities Milan conducts its business according to the principle that it should prevent any conflicts of interest arising, must manage any actual or potential conflicts of interest fairly and effectively both between itself and its customers, suppliers and partners and between one customer, suppliers or partners and another. Board members and employees are expected to be able to identify conflicts relating to their responsibilities in receiving or providing services to third parties and demonstrate that any close personal relationships that might create the impression of a conflict of interest are appropriately managed to avoid an actual conflict arising. Moreover, and according to the Italian Company Law, Board members are expected also to disclose any interest that they may have on their own or on behalf of third parties, with respect to certain transactions of the Company, when they are submitted to the Board for resolution.

The Board of Directors approved the Conflicts of Interest Policy and a specific policy for identification, prevention, reduction and management of Conflicts of Interest in the

provision of Central Securities Depositories Services, pursuant to Regulation (EU) No 909/2014 (CSDR).

As a part of the implementation of the Conflict of Interest Policy, directors shall notify the list of their external directorships on a yearly basis and in case any addition or change occurred, highlighting the executive or non-executive position held.

Moreover, Euronext Securities Milan adopts a Code of Conduct, which is intended to guarantee the independent, efficient and correct performance of the business activity, either to mitigate and manage potential Conflict of Interest situations and to punish behaviors breaching the transparency of the system, the protection of the customers, and the orderly execution of the services. The core values that underpin the Code of Conduct are independence, impartiality, confidentiality, honesty, loyalty, fairness, and professional competence, and all interested parties must abide by them.

In order to identify, manage and neutralize conflicts of interest situations, directors can refer to the Code of Conduct of Euronext Securities Milan and to the above-mentioned Policy which provide, in brief, for an obligation of timely and accurate notification of any conflict situation and the adoption of adequate arrangements aimed at neutralizing the conflict.

For what concerns Board performance review, Euronext Securities Milan Board of Directors periodically carries out a process of evaluation on the composition and functioning of the overall body as well as on the directors' individual performance.

Evaluations are intended to assess the effectiveness of the Board in the fulfillment of its main responsibilities, as well as assist directors in objectively assessing their own contribution to the effective governance of the Company, with a view to improving the Board's collective and individual performance.

The Board's collective self-evaluation survey covers different areas of Board accountability and efficiency, ranging from the evaluation of the structure and composition of the Board and the role of independent directors, to the decision-making processes and the depth of discussions among directors, as well as the adequacy of information and the presentations to the Board with regard to strategy, risk management and controls related matters.

Responses to the surveys, reported in an aggregated form, are reviewed and discussed within the Board itself. Any possible action arising from the discussion is tracked and periodically reviewed by the Board in order to ensure continuous improvement in the way the Board conducts its business and the Board members contribute to the effective governance of the Company. The Board performance evaluation process also covers the assessment of the performance of the Risk Monitoring Committees, as requested by Article 48 of RTS, except the Audit Committee, which carries out its performance evaluation on its own.

Key consideration (KC) 4: *The board should contain suitable members with the appropriate skills and incentives to fulfil its multiple roles. This typically requires the inclusion of non-executive board member(s).*

The Board of Directors, appointed by the Shareholders' Meeting, is currently composed of nine members. Directors remain in office for three years – unless the Shareholders'

Meeting, that proceeds with the appointment, establishes a shorter period – and they may be re-elected.

Directors shall fulfil the requirements of good repute and professional experience established by the applicable laws so as to ensure the sound and prudent management of the CSD, as well as the overall Board shall possess the appropriate mix of skills, experience and knowledge of the entity and of the market as required by CSDR. Also, the General Manager is required to fulfil the same suitability requirements set out for Directors. The Board of Directors of Euronext Securities Milan assesses the suitability of its members upon their appointment and in case of relevant changes in circumstances that may affect the director's suitability, upon being notified by the relevant director or otherwise acquiring knowledge thereof.

For the purpose of assessing the suitability of each board member, the following circumstances have to be taken into account:

- integrity and reputation, including factors regarding the propriety of the member in past business dealings; and
- professional experience, in terms of both academic experiences attained through education and training and the practical experience gained in previous occupations.

The Board of Directors is currently made up of nine members, three of which independent members and the Chairman is a non-executive member. The CEO and the Director of Finance are executive directors entrusted with managing powers by the Board.

Compensation for non-executive members and independent members is flat and not linked to the business performance of Euronext Securities Milan. The non-executive members and the independent members who are also members of the Remuneration Committee and the Risk Committee have an additional fee for the special assignment.

Non-executive directors shall possess professional skills appropriate to the role they are required to fulfil, diversified competencies and adequate experience in order to ensure that all professional profiles are represented and encourage dialogue and the efficient functioning of the board

Key consideration (KC) 5: *The roles and responsibilities of management should be clearly specified. an FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.*

Euronext Securities Milan adopts an efficient and solid delegation of powers mechanism which ensure the accountability of management, responsible for day-to-day operations and under the oversight and coordination of the CEO and General Manager, appointed by the Board of Directors and who is not vested with any material offices in any of the holding entities. Currently the role of the General Manager is performed by the CEO. Composition, roles and responsibilities of the CEO and General Manager and the management are clearly defined and are reflected in the organizational chart and organizational manual.

The CEO and General Manager shall at all times fulfil specific suitability requirements in terms of integrity and reputation, including factors regarding the propriety of the member

in past business dealings; and professional experience, in terms of both academic experiences attained through education and training and the practical experience gained in previous occupations.

Suitability requirements are set forth in the "Policy on the assessment of the suitability of the members of the board of directors, board of auditors and of senior management", approved by the Board of Directors.

In particular regard to the skills and competences, the CEO and General Manager of Euronext Securities Milan shall have acquired at least five years-experience:

- serving as directors, members of the board of auditors or senior managers of firms;
- performing professional activities relating to the credit, financial, securities or insurance sector or functionally related to the activity of market operating company or central depository;
- or in university teaching of legal or economic subjects;
- performing administrative or managerial functions in public entities or governmental authorities relating to the credit, financial, securities or insurance sector or in public entities or governmental authorities not related to such sectors provided that the functions involved management of economic or financial resources.

In addition to the above-mentioned criteria, the Board considers necessary that the CEO and General Manager possess adequate competence and experience in relation to the following areas:

- deep knowledge of the financial markets with particular focus on the CSD business (gained through several years of experience as director, manager or statutory auditor in the financial services sector);
- experience in managing and organising a corporation (gained through several years of experience as director, manager or statutory auditor in large scale companies or groups);
- ability to read and interpret the financial statements of a financial institution (gained through several years of experience as director, manager or statutory auditor of companies in the financial services sector or in performing professional activities or as university lecturer);
- appropriate corporate skills (audit, compliance, legal, corporate, risk management etc.) gained through several years of experience in auditing or management control with large scale companies or in performing professional activities or as a university lecturer;
- an understanding of the regulation of financial activities (gained through several years of specific experience in financial services companies or supervisory bodies, or in performing professional activities, or as a university lecturer);
- international experience and familiarity with international financial markets (gained by performing the duties of a manager or professional over several years in international institutions, companies or groups).

Analogous requirements shall apply for positions involving the performance of functions equivalent to those of general manager.

The recruitment and performance evaluation of the senior management (CEO and General Manager) and of the other managers is carried out through standardized processes.

Euronext Securities Milan, by selecting members of its management, ensures an

appropriate hiring process to guarantee that they possess the appropriate mix of experience, skills and integrity. Each member of the management team is responsible for day-to-day activities, ensuring the efficient performance of the respective business area.

The management is accountable for its performance through evaluation of the achievement of the strategic objectives, financial targets and individual performance, and linking compensation to performance.

The Code of Conduct of Euronext Securities Milan is applicable to all employees and contractors, describing the expectation of conducting business in accordance with applicable laws and regulations with the highest best in class capabilities.

Key consideration (KC) 6: *The board should establish a clear, documented risk-management framework that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. governance arrangements should ensure that the risk-management and internal control functions have sufficient authority, independence, resources, and access to the board.*

The Board of Directors has the final responsibility for managing the risk of Euronext Securities Milan. In this respect, the Board is responsible for defining, determining and documenting an appropriate Risk Appetite Framework (also hereinafter the "RAF") for the Company, monitoring its implementation, in accordance with strategic objectives; defining the risk management policies of the Company, periodically reviewing them.

In addition, Euronext Securities Milan has adopted an Enterprise Risk Management (ERM) Policy, approved by the Board, for the identification, assessment, management, reporting and monitoring of risks.

The Chief Risk Officer is involved in the definition of the RAF.

While exercising its supervising function, the Board, at least on a quarterly basis, receives updates on the company's current risk status from the Chief Risk Officer

Euronext Securities Milan structure is based on the 'Three Lines Model':

- Line staff are responsible for first-level controls, targeting operational processing. The managers are in charge of assessing the risks related to the different business areas and of monitoring the actions identified to mitigate them on ongoing basis;
- The Compliance Function and the Risk Management Function are responsible for second-level controls (in line with CSDR requirements) and are respectively led by the Chief Compliance Officer (CCO) and by the Chief Risk Officer (CRO). In particular,
 - The CCO ensures the identification and management of the non-compliance risk of Euronext Securities Milan and its employees to the applicable laws and regulations by monitoring, inter alia, the compliance of the Company internal procedures and other organizational measures;
 - the CRO implements the risk management framework including the policies and the procedures established by the Board of Directors aiming at identifying, assessing and measuring the relevant risks to which Euronext Securities Milan is exposed and - together with the managers of the Company - sets the actions to mitigate such risks and monitor their adequacy and efficiency;
- Internal Audit Function provides reliable, objective and reasonable assurance to

Management, Board members on the adequacy and effectiveness of the system of internal controls.

Euronext Securities Milan organizational arrangements ensure that the risk management and internal control functions (compliance, risk management and internal audit) have the necessary authority, resources and expertise to fulfill their tasks.

Their reporting lines are clear and separate from operational and/or business functions within the Company Organization.

The Chief Compliance Officer, the Chief Risk Officer and the Head of Internal Audit (IA) are appointed and revoked by the Board of Directors, after consulting the Board of Statutory Auditors. CCO and CRO report directly to Euronext Securities Milan CEO and inform regularly the Board of Directors of the activities performed and the related results and have direct access to the Board of Directors.

The Head of Internal Audit has a direct report to the Board of Directors and a secondary reporting line to the CEO. Roles and responsibilities of those functions are clearly defined in Euronext Securities Milan Organizational Manual.

The fixed and variable remuneration of Head of Internal Audit, Chief Risk Officer, and Chief Compliance Officer (where employed by Euronext Securities Milan) is approved by the Board of Directors upon proposal of the CEO.

The Board approves the activity plans prepared, on an annual basis, by the Chief Risk Officer, Chief Compliance Officer and Head of Internal Audit and examines the periodical reports prepared by such functions, in order to monitor the adequacy of the internal control system and the consistency of Euronext Securities Milan activities to the Risk Appetite Framework approved; the Board may make specific requests concerning the respective activity plans.

Key consideration (KC) 7: *The board should ensure that the FMI's design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.*

The legitimate interests of Users (in the Company's services) and relevant stakeholders are taken into account in the context of amendments to Service Regulations of Euronext Securities Milan due to relevant changes in the functioning of the services and systems or in the regulatory framework.

In such instance, Euronext Securities Milan seeks the views of interested stakeholders through its public consultations, the Company's website, seminars and regular meetings.

The Board of Directors has established a User Committee which is composed of representatives of issuers and participants.

The User Committee shall give the Board of Directors mandatory non-binding advice on key arrangements that impact on their members (including the criteria for accepting issuers or participants in their respective services and on service level) and related amendments to the Service Regulations of Euronext Securities Milan. The Board of

Directors must ensure that Competent Authorities are informed any time it does not follow the User Committee's opinion.

In addition, the User Committee may submit a non-binding opinion to the management body containing on the pricing structures of Euronext Securities Milan. The Board of Directors receives advice and opinions from User Committee through its Chairman who acts as the representative of the User Committee vis-a-vis Euronext Securities Milan.

Principle 3: Framework for the Management of Risks

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

Key consideration (KC) 1: *An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.*

Euronext Securities Milan has established a robust risk management framework, aligned with regulatory requirements and common industry standards such as CSDR, DORA, CPMI-IOSCO, ECSDA etc. Any additional obligations from Consob and the Bank of Italy are incorporated to ensure full compliance. The framework is built on comprehensive policies, procedures and controls, including the Risk Appetite Framework (RAF), Enterprise Risk Management Policy (ERMP) and ICT Risk Management Policy, in line with DORA Regulation.

Risks are identified, assessed, monitored and managed through a structured process that includes regular risk reviews, the use of Key Risk Indicators, incident and near-miss reporting and ongoing compliance monitoring. The Risk Management Framework covers strategic, financial and operational risks, with particular attention to areas such as business continuity, cyber risk, critical service providers and links with other financial market infrastructures.

Risk Manager, in collaboration with the Risk Owners and Risk Coordinators, facilitates quarterly risk reporting to the Risk Committee of Euronext Securities Milan and to the Board of Directors, ensuring that risks are identified and that action plans are implemented for risks approaching or exceeding appetite limits.

All policies and strategic documents are subject to at least an annual review and Board of Directors approval. Risk Management training is provided to all the Company's employees each year.

Key consideration (KC) 2: *An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.*

Euronext Securities Milan Rules and Instructions, contractual framework, suspension procedure provide incentives to manage and contain the risks that participants to Euronext Securities Milan may pose.

The risks posed by the participants' customers to Euronext Securities Milan or the risks that Euronext Securities Milan poses to them are not taken into consideration because the CSD does not incur risks from the clients of its participants and has no way of exercising any control over these clients.

Euronext Securities Milan adopts clear Rules and Instructions for the services it provides and publishes them on its website. These are deemed adequate to evaluate the risks connected to services. Not adopting measures and behaviours in contrast with such rules by participants is the main guarantee for the system that risks are not posed to its smooth functioning. To this end Euronext Securities Milan provides:

- a wide series of reports in the context of its services to allow participants to have the clear picture of their positions thus avoiding situations that could possibly hamper the smooth functioning of the system;
- participation requirements that participants are requested to fulfil both at the moment of joining the services and on a continuous basis;
- support regarding the service functioning both to new applicants and to already participants. This is done through direct client support as well as appropriate training, at the participant request

Euronext Securities Milan encourages its participants to use Euronext Securities Milan systems in the best way and provides extensive information regarding the use of the system and the services available.

Euronext Securities Milan has an articulated contractual framework allowing participants to manage their risks and the risks they pose to the CSD. Please refer more especially to the General Conditions published on Euronext Securities Milan website.

Euronext Securities Milan has no contractual relationship with Clients' customers. The contractual relationship remains exclusively between Euronext Securities Milan and its respective participants.

Euronext Securities Milan continuously invests to encourage participants to manage and contain the risks they pose to Euronext Securities Milan, by keeping them informed about new developments, new regulations, operational changes etc. through User documentation, extensive operational reporting and training, relationship (via User Committee or client facing relationship) and by applying other types of measures. In particular: participant admission process, participant training, documentation and information, and operational reporting.

Besides the contractual framework, participants have access to a test platform allowing them to test their readiness before becoming Euronext Securities Milan participant, or their adequacy whenever a change needs to be tested. Participants are also integrated in the Business Continuity procedures testing.

For their day-to-day operations, participants receive real time information on their transactions recorded in the settlement platform.

Euronext Securities Milan also sends to participants alerts in case a high or major incidents occur on the T2S or Euronext Securities Milan platforms and keep them constantly informed on incident resolution.

Participant admission/suspension procedures

Access to the CSD is subject to admission criteria as detailed in its Rules. Euronext Securities Milan has implemented a dedicated procedure consisting of an initial Know-Your-Client (KYC) phase to ensure that each participant meets the admission criteria at the time of its admission and on an ongoing basis, via regular reviews.

Euronext Securities Milan provides deterrent to participants possibly posing risks over its system.

Measures that can be applied to participants are as follows:

- The suspension or exclusion procedure of participants that access the core services is activated if the prerequisites for suspension established in Article 11 of the Euronext Securities Milan CSD Rules exist. Prerequisites for suspension are irregularities causing malfunctioning or delays in the carrying out of the services or of lack of compliance with rules, instructions or the operating procedures adopted by the Company or in case their behaviour is not compatible with the smooth functioning of the System;
- exclusion of those participants already suspended in case of permanence of the reasons for the suspension;
- penalties in the context of the settlement service addressing individual behaviours causing end-of-day fails.

Suspension and exclusion measures are present with the necessary adaptation to the features of the services in all regulatory documentation adopted by the Company.

User Committee

In accordance with CSDR, Euronext Securities Milan has established a User Committee.

The User Committee shall advise Euronext Securities Milan Board of Directors on key arrangements that impact on issuers and participants to the Central Depository and Settlement Services (or "Core Services") such as: a) criteria for the admission , suspension, exclusion for issuers and participants b) penalty mechanism of the Settlement Service; c) procedures for managing the insolvency of a participant to the Core Services; d) service levels of the settlement service as long as provided and to the extent allowed by the T2S Framework Agreement.

The User Committee may submit to the Board non-binding opinions on pricing structure and on significant priorities concerning service enhancements and/or harmonization practices to be established to serve the Italian market.

The User Committee meets at least twice a year.

Euronext Securities Milan encourages its participants to use the systems in the best way, by providing extensive information on their use and on the products and services available. This helps them to better manage their risks when dealing with Euronext Securities Milan and therefore minimise the risk they pose to Euronext Securities Milan. Beside the information available on Euronext Securities Milan website (General Conditions, Rules, newsletters), specific trainings may be organised for participants.

The Euronext Securities Milan sales and clients teams keep Euronext Securities Milan participants informed of changes and developments.

Euronext Securities Milan provides operational reporting designed to enable Clients to monitor, manage and reduce the risk they face when using Euronext Securities Milan Services.

Euronext Securities Milan requires all Clients to reconcile their positions daily.

Euronext Securities Milan and its respective Competent Authorities are performing a close monitoring of the settlement performance.

Euronext Securities Milan adopts clear Rules and Instructions for the services it provides and publishes them on its web- site. These are deemed adequate to evaluate the risks connected to services.

A wide range of reports (both mandatory and optional) is also provided to participants giving them the possibility to monitor the settlement process. Finally, Euronext Securities Milan is able to support customers concerning their business activities and to deal with possible incidents.

Key consideration (KC) 3: *An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.*

Euronext Securities Milan regularly reviews and manages the material risks it bears from and poses to other entities, including other FMIs, settlement banks, and critical service providers, arising from potential interdependencies. These reviews are embedded in the risk management framework of Euronext Securities Milan and are supported by the risk management process:

- Ongoing risk assessments and due diligence processes for all critical outsourcing and service provider relationships, in line with internal policies and regulatory requirements (such as DORA and CSDR).
- Daily monitoring of operational interdependencies with other FMIs and settlement banks, using real-time tools and regular reporting to promptly identify and address any disruptions or anomalies.
- Scenario analysis, business continuity and disaster recovery testing should be performed at least annually, including participation in industry-wide crisis management simulations coordinated by the Bank of Italy.
- Application of Key Risk Indicators, service level agreements and periodic reviews to ensure the effectiveness of risk management tools and controls.
- Independent assessment of risk management framework practices by the Internal and External Audit function, ensuring ongoing oversight and continuous improvement.

Documented evidence includes risk assessment reports, incident logs, audit findings and records of business continuity exercises, demonstrating a proactive and structured approach to managing interdependencies and associated risks.

Key consideration (KC) 4: *An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and*

assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for purposes of resolution planning.

Euronext Securities Milan has preliminarily identified, among its services, the ones that can be classified as “critical”, based on the relevance of the service both from the market participants’ perspective and for the smooth functioning of the markets served. Thereafter, Euronext Securities Milan has defined a set of potential scenarios that may prevent it from being able to provide its critical services as a going concern. The potential scenarios which may threaten the viability of Euronext Securities Milan have been identified on the basis of the major risks to which Euronext Securities Milan is exposed, which are namely:

- general business risk
- operational risk
- custody and investment risks

Euronext Securities Milan is a non-banking CSD, it does not take on any financial position towards its participants in the context of the settlement activity and therefore it is not exposed to potential uncovered losses deriving from participant’s default (i.e. “defaulting losses” as defined by CPMI-IOSCO Recovery Report). Any residual exposure of Euronext Securities Milan towards credit or liquidity risk is fully mitigated by means of preventive measure ensuring full coverage of any financial losses deriving from such risks.

The identified scenarios are based on either idiosyncratic and systemic-wide events which are exceptional but plausible, taking into account the nature of business, size, funding model of Euronext Securities Milan as well as the degree of interconnectedness to other institutions and to the financial system. Also, System-wide events are taken into consideration.

For each identified scenarios, Euronext Securities Milan assessed its potential impact on financial viability of Euronext Securities Milan, as well as a description of recovery tools measures to be potentially used.

Euronext Securities Milan has a Recovery Plan and Winding Down Plan.

The purpose of the Recovery and Winding Down Plan of Euronext Securities Milan is to provide information and procedures necessary to enable Euronext Securities Milan to continue providing its critical services even in the remote case its viability as a going concern is threatened. The Recovery and Winding Down Plan is also designed to allow Euronext Securities Milan, its participants and other relevant stakeholders to cope with such extreme circumstances and to increase the possibility that the most appropriate tool to deal with a specific stress will be used, thereby reducing the risk that effectiveness of recovery actions may be hindered by uncertainty.

Euronext Securities Milan Recovery and Winding Down Plan includes the plans to raise new capital in case losses impacting regulatory capital of Euronext Securities Milan, to ensure the restructuring or orderly winding down of its operations as required by Article 1 (9) CSDR Refit inserting Article 22a to CSDR, in line with international standards.

Generally, the central aim of the scenario analysis is to validate the adequacy of the Euronext Securities Milan recovery and restructuring capacity.

Euronext Securities Milan has identified the major types of scenarios that may potentially prevent Euronext Securities Milan from being able to meet its obligations, provide its critical operations and services as a going concern, which fall into the category of business-related losses.

On the basis of the identified scenarios, Euronext Securities Milan has included in the Recovery and Winding Down Plan the description of the scenario, the events that are likely to trigger that scenario, the set of preventive controls in place at Euronext Securities Milan for monitoring such events, the financial/operational impact of the scenario on the CSD, the participants and the specific recovery measures and steps that Euronext Securities Milan is expected to take when the scenario occurs which aim at controlling and managing the exposure of those who would bear the losses and system collapse and at creating appropriate incentives for participants of Euronext Securities Milan, its shareholder and relevant stakeholders to control the amount of risk that they bring or they incur in the system and to monitor the Company's risk management activities.

Euronext Securities Milan Recovery plan is reviewed annually or when a significant change occurs that would impact the feasibility or materiality of a recovery option. As required by relevant regulations, those plans are shared with the authorities.

Principle 4: Credit Risk

An FMI should effectively measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes. An FMI should maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions. All other CCPs should maintain additional financial resources sufficient to cover a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would potentially cause the largest aggregate credit exposure to the CCP in extreme but plausible market conditions.

Summary Narrative

Key consideration (KC) 1: *An FMI should establish a robust framework to manage its credit exposures to its participants and the credit risks arising from its payment, clearing, and settlement processes. Credit exposure may arise from current exposures, potential future exposures, or both.*

The Euronext Securities Milan risk management framework includes relevant elements for the management of credit risks to which the CSDs may be confronted to. Since the

Company does not provide any credit facilities to participants, Euronext Securities Milan has no financial exposure with participants.

Key consideration (KC) 2: *An FMI should identify sources of credit risk, routinely measure and monitor credit exposures, and use appropriate risk-management tools to control these risks.*

This key consideration is not applicable to Euronext Securities Milan since no credit facility is provided to its participants.

Key consideration (KC) 3: *A payment system or SSS should cover its current and, where they exist, potential future exposures to each client fully with a high degree of confidence using collateral and other equivalent financial resources (see Principle 5 on collateral). In the case of a DNS payment system or DNS SSS in which there is no settlement guarantee but where its clients face credit exposures arising from its payment, clearing, and settlement processes, such an FMI should maintain, at a minimum, sufficient resources to cover the exposures of the two clients and their affiliates that would create the largest aggregate credit exposure in the system.*

This key consideration is not applicable to Euronext Securities Milan since no credit facility is provided to its participants

Key consideration (KC) 4, 5 and 6 are not applicable to Euronext Securities Milan.

Key consideration (KC) 7: *An FMI should establish explicit rules and procedures that address fully any credit losses it may face as a result of any individual or combined default among its clients with respect to any of their obligations to the FMI. These rules and procedures should address how potentially uncovered credit losses would be allocated, including the repayment of any funds an FMI may borrow from liquidity providers. These rules and procedures should also indicate the FMI's process to replenish any financial resources that the FMI may employ during a stress event, so that the FMI can continue to operate in a safe and sound manner.*

No allocation of credit loss to participants is foreseen as no credit is provided by Euronext Securities Milan to its participants.

Principle 7: Liquidity Risk

An FMI should effectively measure, monitor, and manage its liquidity risk. An FMI should maintain sufficient liquid resources in all relevant currencies to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not

be limited to, the default of the participant and its affiliates that would generate the largest aggregate liquidity obligation for the FMI in extreme but plausible market conditions.

Key consideration (KC) 1: *An FMI should have a robust framework to manage its liquidity risks from its participants, settlement banks, nostro agents, custodian banks, liquidity providers, and other entities.*

Considering that Euronext Securities Milan does not hold a banking license, it is not exposed to credit or liquidity risk deriving from its core services. However, liquidity risk marginally touches Euronext Securities Milan with reference to treasury activities. Euronext Securities Milan has in place a Liquidity Framework to approach this risk.

Euronext Securities Milan operates a securities settlement system (SSS) that settles in central bank money in T2S. Euronext Securities Milan does not act as settlement agent of the SSS they each operate which means Euronext Securities Milan does not open cash accounts to its participants or provide credit facilities. Therefore, Euronext Securities Milan has no financial exposure towards its participants (except for the payment of invoices). Participants of Euronext Securities Milan must have access (directly or indirectly) to a national central bank participating to T2S for the purpose of DvP settlement in T2S. This is also applicable for links between T2S CSDs due to the interoperability of the T2S platform: cross-border DvP settlement also takes place in central bank money.

Key consideration (KC) 2: *An FMI should have effective operational and analytical tools to identify, measure, and monitor its settlement and funding flows on an ongoing and timely basis, including its use of intraday liquidity.*

This Key consideration is not applicable to Euronext Securities Milan. Please refer to KC1.

Key consideration (KC) 3: *A payment system or SSS, including one employing a DNS mechanism, should maintain sufficient liquid resources in all relevant currencies to effect same-day settlement, and where appropriate intraday or multiday settlement, of payment obligations with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the client and its affiliates that would generate the largest aggregate payment obligation in extreme but plausible market conditions.*

This Key consideration is not applicable to Euronext Securities Milan. Please refer to KC1.

Key consideration (KC) 4: *A CCP should maintain sufficient liquid resources in all relevant currencies to settle securities-related payments, make required variation margin payments, and meet other payment obligations on time with a high degree of confidence under a wide range of potential stress scenarios that should include, but not be limited to, the default of the participant and its affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions. In addition, a CCP that is involved in activities with a more-complex risk profile or that is systemically important in multiple jurisdictions should consider maintaining additional liquidity*

resources sufficient to cover a wider range of potential stress scenarios that should include, but not be limited to, the default of the two participants and their affiliates that would generate the largest aggregate payment obligation to the CCP in extreme but plausible market conditions.

This Key consideration is not applicable to Euronext Securities Milan.

Key consideration (KC) 5: *For the purpose of meeting its minimum liquid resource requirement, an FMI's qualifying liquid resources in each currency include cash at the central bank of issue and at creditworthy commercial banks, committed lines of credit, committed foreign exchange swaps, and committed repos, as well as highly marketable collateral held in custody and investments that are readily available and convertible into cash with prearranged and highly reliable funding arrangements, even in extreme but plausible market conditions. If an FMI has access to routine credit at the central bank of issue, the FMI may count such access as part of the minimum requirement to the extent it has collateral that is eligible for pledging to (or for conducting other appropriate forms of transactions with) the relevant central bank. All such resources should be available when needed.*

This Key consideration is not applicable to Euronext Securities Milan. Please refer to KC1.

Key consideration (KC) 6: *An FMI may supplement its qualifying liquid resources with other forms of liquid resources. If the FMI does so, then these liquid resources should be in the form of assets that are likely to be saleable or acceptable as collateral for lines of credit, swaps, or repos on an ad hoc basis following a default, even if this cannot be reliably prearranged or guaranteed in extreme market conditions. Even if an FMI does not have access to routine central bank credit, it should still take account of what collateral is typically accepted by the relevant central bank, as such assets may be more likely to be liquid in stressed circumstances. An FMI should not assume the availability of emergency central bank credit as a part of its liquidity plan.*

Euronext Securities Milan is not exposed to the default of its participants (except to the extent of any unpaid outstanding invoices) and therefore this KC6 is not relevant to Euronext Securities Milan. Please refer to KC1.

Key consideration (KC) 7: *An FMI should obtain a high degree of confidence, through rigorous due diligence, that each provider of its minimum required qualifying liquid resources, whether a participant of the FMI or an external party, has sufficient information to understand and to manage its associated liquidity risks, and that it has the capacity to perform as required under its commitment. Where relevant to assessing a liquidity provider's performance reliability with respect to a particular currency, a liquidity provider's potential access to credit from the central bank of issue may be taken into account. An FMI should regularly test its procedures for accessing its liquid resources at a liquidity provider.*

This Key consideration is not applicable to Euronext Securities Milan. Please refer to KC1.

Key consideration (KC) 8: *An FMI with access to central bank accounts, payment services, or securities services should use these services, where practical, to enhance its management of liquidity risk.*

This Key consideration is not applicable to Euronext Securities Milan. Please refer to KC1.

Key consideration (KC) 9: *An FMI should determine the amount and regularly test the sufficiency of its liquid resources through rigorous stress testing. An FMI should have clear procedures to report the results of its stress tests to appropriate decision makers at the FMI and to use these results to evaluate the adequacy of and adjust its liquidity risk-management framework. In conducting stress testing, an FMI should consider a wide range of relevant scenarios. Scenarios should include relevant peak historic price volatilities, shifts in other market factors such as price determinants and yield curves, multiple defaults over various time horizons, simultaneous pressures in funding and asset markets, and a spectrum of forward-looking stress scenarios in a variety of extreme but plausible market conditions. Scenarios should also take into account the design and operation of the FMI, include all entities that might pose material liquidity risks to the FMI (such as settlement banks, nostro agents, custodian banks, liquidity providers, and linked FMIs), and where appropriate, cover a multiday period. In all cases, an FMI should document its supporting rationale for, and should have appropriate governance arrangements relating to, the amount and form of total liquid resources it maintains.*

Euronext Securities Milan is not authorised to provide banking type services in the meaning of CSDR.

Key consideration (KC) 10: *An FMI should establish explicit rules and procedures that enable the FMI to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations on time following any individual or combined default among its participants. These rules and procedures should address unforeseen and potentially uncovered liquidity shortfalls and should aim to avoid unwinding, revoking, or delaying the same-day settlement of payment obligations. These rules and procedures should also indicate the FMI's process to replenish any liquidity resources it may employ during a stress event, so that it can continue to operate in a safe and sound manner.*

This is not applicable to Euronext Securities Milan as there are no settlement or payment obligation following individual or combined default of a participant.

Principle 8: Settlement Finality

An FMI should provide clear and certain final settlement, at a minimum by the end of the value date. Where necessary or preferable, an FMI should provide final settlement intraday or in real time.

Summary Narrative

Key consideration (KC) 1: *An FMI's rules and procedures should clearly define the point at which settlement is final.*

Euronext Securities Milan defines finality and irrevocability moments in its Service Regulations in line with CSDR, the settlement finality directive and the implementing provisions under the domestic regulatory framework (Legislative Decree 210/2001).

Settlement Instructions cannot be revoked by a participant or a third party from the time of their matching in T2S (SF2), without prejudice to the bilateral cancellation of settlement Instructions. The transfer of securities and cash become final from the time of the debiting of the cash, or of the securities when settlement by cash is not provided for (SF3).

Key consideration (KC) 2: *An FMI should complete final settlement no later than the end of the value date, and preferably intraday or in real time, to reduce settlement risk. An LVPS or SSS should consider adopting RTGS or multiple-batch processing during the settlement day.*

Euronext Securities Milan has joined the T2S platform and provides Free of Payment (FoP) and DvP/RvP (Receive Versus Payment) settlement services with immediate finality in real time or at the end of the two overnight batch settlement.

The T2S operational day is sequenced as follows:

- a night-time sequence, with overnight batch settlement (from 20:00 to 03:00 CET).
- a maintenance window is taking place between 03:00 and 05:00 CET.
- a real-time settlement (from 05:00 to 16:00 CET).

Real time settlement could start before 03:00 if the night-time sequence is finished before 03:00.

Clients are informed of the final settlement via Swift messages sent either by T2S platform or by Euronext Securities Milan, as soon as settlement takes place (or at the end of the sequence for the night-time processing). Each settlement instruction, if unsettled, is recycled into next settlement cycle (be it a batch or real time). These instructions are pending, until they are finally settled or cancelled.

Key consideration (KC) 3: *An FMI should clearly define the point after which unsettled payments, transfer instructions, or other obligations may not be revoked by a participant.*

Please refer to text under Key Consideration 2

Principle 9: Money Settlements

An FMI should conduct its money settlements in central bank money where practical and available. If central bank money is not used, an FMI should minimise and strictly control the credit and liquidity risk arising from the use of commercial bank money.

Key consideration (KC) 1: *An FMI should conduct its money settlements in central bank money, where practical and available, to avoid credit and liquidity risks.*

Euronext Securities Milan offers settlement against payment only in central bank money and exclusively in Euro.

The participant of Euronext Securities Milan must have at least one dedicated DCA account in euro linked to its T2S securities account. Each DCA is linked via static data to one or more RTGS accounts in euro held in a central bank.

In order to settle transactions against payment in T2S it is necessary to provide liquidity to the cash accounts (i.e. to the DCAs). To this end, T2S provides the technical means for its participants to transfer funds from the RTGS accounts to the technical platform or from one T2S DCA to another. DCA holders are responsible for monitoring the balance in their DCAs and must be able to issue T2S liquidity transfer orders.

For CSD links inside T2S platform when cross-border settlement happens it takes place always in central bank money in euro as explained above.

When settlement happens through links with non T2S CSDs, the so-called External settlement, it takes place in euro only when it happens on the ICSDs (Clearstream Banking Luxembourg or Euroclear Bank) while it can only happen FOP when it is against other CSD outside T2S, because it assumed not-euro currency

Key consideration (KC) 2: *If central bank money is not used, an FMI should conduct its money settlement using a settlement asset with little or no credit or liquidity risk.*

When external settlement against payment happens on the ICSDs and a receive trade is due to settle, Euronext Securities Milan transfers the necessary funds related to the settlement activity from the DCA account of the client involved (linked to RTGS account in a central bank) to the DCA of Euronext Securities Milan and immediately transfers them from the DCA of Euronext Securities Milan to its cash account open with the ICSD where the settlement occurs, and then allows the trade to settle. For delivery trades instead the opposite flow happens, as soon as funds related to the delivery are credited into the Company's euro account open with one of the two CSD, Euronext Securities Milan transfers them to the DCA account of Euronext Securities Milan and then immediately to client's DCA account.

Key consideration (KC) 3: *If an FMI settles in commercial bank money, it should monitor, manage, and limit its credit and liquidity risks arising from the commercial settlement banks. In particular, an FMI should establish and monitor adherence to strict criteria for its settlement banks that take account of, among other things, their regulation and supervision, creditworthiness, capitalisation, access to liquidity, and operational reliability. An FMI should also monitor and manage the concentration of credit and liquidity exposures to its commercial settlement banks.*

As far as Commercial bank money is concerned, Euronext Securities Milan holds cash on its cash account open with the ICSD, for settlement activity purposes, only on settlement date when it is necessary for the intraday settlement activity.

Euronext Securities Milan also receives the amounts related to income, coupon and corporate actions in euro or other currencies on its cash account open with the ICSD.

When a credit is received from the ICSD, it is immediately reconciled and distributed to the clients of Euronext Securities Milan based upon entitlements of the event involved.

Key consideration (KC) 4: *If an FMI conducts money settlements on its own books, it should minimise and strictly control its credit and liquidity risks.*

This key consideration is not applicable, as Euronext Securities Milan does not conduct money settlement in their own books.

Key consideration (KC) 5: *An FMI's legal agreements with any settlement banks should state clearly when transfers on the books of individual settlement banks are expected to occur, that transfers are to be final when effected, and that funds received should be transferable as soon as possible, at a minimum by the end of the day and ideally intraday, in order to enable the FMI and its participants to manage credit and liquidity risks.*

Euronext Securities Milan's clients settle their transactions in T2S using central bank money by using a DCA account linked to a RTGS account open with a Central Bank connected to the T2S platform, funds are transferable intraday. Cash deadlines for euro settlement or other currencies payments vary based on central bank deadlines or ICSD deadlines based on the activity, settlement or corporate action, for which the cash balance is considered.

Euronext Securities Milan is not responsible for the operation of the Dedicated Cash Accounts of their Clients this relationship is under the remit of the Central Banks. Euronext Securities Milan offers real-time settlement during the day.

On the T2S platform, CSDs are responsible for the Securities Accounts (CSDs rules apply), NCBs are responsible for the Dedicated Cash Accounts (the NCBs rules apply).

Both CSDs and NCBs must follow the rules of the T2S platform. In the T2S platform, the settlement instructions are managed in real time during the day and in 2 batch, overnight settlement cycles during the overnight settlement process.

The settled instructions are reported to the client, and the positions are updated accordingly (securities and cash), so that they can be reused for other instructions or transferred. At the end of the settlement day, the T2S platform automatically transfers all the liquidity held in the DCA T2S to the related RTGS account opened in the Target 2 platform.

Principle 10: Physical Deliveries

An FMI should clearly state its obligations with respect to the delivery of physical instruments or commodities and should identify, monitor, and manage the risks associated with such physical deliveries.

Summary Narrative

Key consideration (KC) 1: *An FMI's rules should clearly state its obligations with respect to the delivery of physical instruments or commodities.*

Euronext Securities Milan does not offer settlement services relating to commodities. Securities settlement services are based on immobilisation and dematerialisation of securities.

The notary service comprises the initial registration of an issue of dematerialized or paper-based financial instruments, or part of the same, in the accounting records system maintained by Euronext Securities Milan, as central depository. The initial registration may be requested by the issuers or entities who operate on their behalf. Euronext Securities Milan ensures the integrity of the issue, or part thereof, initially registered in its accounting records system, through the reconciliation measures set forth by Article 20 of Service Regulations, in accordance with Article 37 of CSDR. Notices to and from Euronext Securities Milan concerning the central securities depository service are made exclusively via electronic networks, in the manner and within the terms specified by Euronext Securities Milan in the Service Instructions and Operating Documents. The initial registration of paper-based financial instrument is carried out upon delivery of the certificates to Euronext Securities Milan

Key consideration (KC) 2: *An FMI should identify, monitor, and manage the risks and costs associated with the storage and delivery of physical instruments or commodities.*

The remaining physical securities after Euronext Securities Milan dematerialisation process are held in vault of Euronext Securities Milan. The access to the vault is highly secured with a highly restricted access policy,

Euronext Securities Milan has implemented procedures that provide strict security measures and surveillance to the Vault and related access.

At least once a year Euronext Securities Milan verifies the correspondence between accounting values (balances) and the certificates deposited in the vault.

Principle 11: Central Securities Depositories (CSDs)

A CSD should have appropriate rules and procedures to help ensure the integrity of securities issues and minimise and manage the risks associated with the safekeeping and transfer of securities. A CSD should maintain securities in an immobilised or dematerialized form for their transfer by book entry.

Summary Narrative

Key consideration (KC) 1: *A CSD should have appropriate rules, procedures, and controls, including robust accounting practices, to safeguard the rights of securities issuers and holders, prevent the unauthorised creation or deletion of securities, and conduct periodic and at least daily reconciliation of securities issues it maintains.*

Euronext Securities Milan has appropriate rules, procedures and controls to safeguard the rights of securities issuers and holders.

All securities admitted in Euronext Securities Milan are recorded in book entry form and can be transferred by book entry transfers. The legislation applicable to Euronext Securities Milan sets clear and sound basis for admission and book-entry transfers of immobilised or dematerialized securities. For more details on the legal basis for immobilisation/dematerialisation of securities, please refer to Principle 1.

Euronext Securities Milan operates based on a robust double accounting system allowing the circulation of securities via book-entry and ensuring integrity of the securities issues. Account balances are reconciled on a daily basis in accordance with applicable regulatory requirements. Where securities are immobilised, Euronext Securities Milan takes appropriate measures to ensure safekeeping of the certificates in accordance with regulatory requirements.

Euronext Securities Milan opens securities accounts for participants of Euronext Securities Milan ensuring a clear segregation of the holdings for each of their participants at any moment in time it is known which securities are held on behalf of which client.

Key consideration (KC) 2: *A CSD should prohibit overdrafts and debit balances in securities accounts.*

Euronext Securities Milan prohibits overdraft and debit balances in securities account.

Euronext Securities Milan applies accounting principles (double entry) ensuring that no credit is performed without the correspondent debit closing balance per security of a given day is the result of the previous end-of-day balance plus all settlement activity of that day. Securities transfers only take place under strict (system) controls and procedures. This aims at safeguarding the rights of issuers and holders and to prevent unauthorised transfers or undue creation/deletion of securities.

In terms of reconciliation, the following processes are in place:

- when Euronext Securities Milan acts as issuer CSD, the accounting principles mentioned above also ensure that the amount of securities credited to clients corresponds to the total of the Issuance Account managed by Euronext Securities Milan as issuer CSD;
- when Euronext Securities Milan acts as Investor CSD, a process is in place to perform a daily balance reconciliation based on the closing balances of the non T2S CSDs or T2S CSDs with whom Euronext Securities Milan maintains a link.

Key consideration (KC) 3: *A CSD should maintain securities in an immobilised or dematerialised form for their transfer by book entry. Where appropriate, a CSD should provide incentives to immobilise or dematerialise securities.*

Euronext Securities Milan maintains securities in an immobilized and dematerialized form even if further to the dematerialization of securities in Italy the amount of physical securities still maintained by Euronext Securities Milan is negligible and, in many times, referred to securities subject to foreign laws.

Key consideration (KC) 4: *A CSD should protect assets against custody risk through appropriate rules and procedures consistent with its legal framework.*

Protection of securities from custody risk is ensured by segregation of accounts rules defined by Euronext Securities Milan in line with the applicable regulatory framework (in particular Art. 38 of CSDR).

The credit and debit movements of the financial instruments recorded in the accounts are arranged only after recording the corresponding debit.

At the end of each accounting day, Euronext Securities Milan sends to the participants a statement showing the initial and final balances, and the individual credit and debit movements recorded on that account during the accounting day. This statement will also indicate the quantity of any financial instruments not available for transfer or delivery for settlement as well as any movements in the account(s) occurred during the day, if these have not been notified before.

The participants verify on a daily basis that the data communicated in the account statement sent by Euronext Securities Milan complies with their own accounting data. If participants find any discrepancies in the statements and/or the communications relating to the individual account movements carried out during the day, they shall give notification in writing within the day following the receipt of same. In the absence of such notification, the statements and/or the aforesaid movements shall be deemed to be tacitly approved.

Key consideration (KC) 5: *A CSD should employ a robust system that ensures segregation between the CSD's own assets and the securities of its clients and segregation among the securities of clients. Where supported by the legal framework, the CSD should also support operationally the segregation of securities belonging to a client's customers on the client's books and facilitate the transfer of customer holdings.*

Euronext Securities Milan holds for each participant separate own accounts and third-party accounts. Third-party accounts may be used to record securities held by the different clients of a participant ("third-party omnibus accounts") or to record securities held by an individual customer of a participant ("segregated accounts at an individual customer level"). For each account opened with Euronext Securities Milan, the participants should specify in their operating configurations whether this is an own account, a third-party omnibus account or a segregated third -party account for an individual customer.

Key consideration (KC) 6: *A CSD should identify, measure, monitor, and manage its risks from other activities that it may perform; additional tools may be necessary in order to address these risks.*

Euronext Securities Milan has in place a robust risk framework that ensures proper mitigation measures and tools are in place to mitigate operational and financial risks associated with the activities performed.

Principle 12: Exchange-of-value settlement systems

If an FMI settles transactions that involve the settlement of two linked obligations (for example, securities or foreign exchange transactions), it should eliminate principal risk by conditioning the final settlement of one obligation upon the final settlement of the other.

Summary Narrative

Key consideration (KC) 1: *An FMI that is an exchange-of-value settlement system should eliminate principal risk by ensuring that the final settlement of one obligation occurs if and only if the final settlement of the linked obligation also occurs, regardless of whether the FMI settles on a gross or net basis and when finality occurs.*

Euronext Securities Milan offers FoP and DvP book-entry settlement services along the following principles:

- DvP settlement in central bank money
- Real-time gross settlement with immediate finality
- Integrated model by which securities accounts and cash positions in central bank money are held within the same IT environment
- Overnight batch settlement and daytime real-time settlement
- Real-time exchanges with payment systems operated by the Central Banks connected to T2S.

Euronext Securities Milan offers DvP model 1 settlement in central bank money i.e. there is a simultaneous exchange of securities against cash on the settlement platform.

Euronext Securities Milan offers gross settlement services (on a trade-by-trade basis). The settlement finality is reached and is simultaneous for both components. For more information on the settlement finality, please refer to Principle 8.

Principle 13: Participant Default Rules and Procedures

An FMI should have effective and clearly defined rules and procedures to manage a participant default. These rules and procedures should be designed to ensure that the FMI can take timely action to contain losses and liquidity pressures and continue to meet its obligations.

Summary Narrative

Key consideration (KC) 1: *An FMI should have default rules and procedures that enable the FMI to continue to meet its obligations in the event of a participant default and that address the replenishment of resources following a default.*

In case of default of participant, Euronext Securities Milan applies rules and procedures defined in its Service Regulations and related Instructions. In line with requirements and guidelines provided at European level, the default procedures for participants of Euronext Securities Milan describe actions and communication flows among Euronext Securities Milan and the defaulting participant and other members of the settlement system.

In this context it should be recalled that in relation to its financial stability, Euronext Securities Milan does not incur in any default losses as Euronext Securities Milan does not hold any credit or liquidity exposures from the settlement activity. Participants' default may cause only a loss of fees which are deemed as non-defaulting losses incurred in the management of the business.

Key consideration (KC) 2: *An FMI should be well prepared to implement its default rules and procedures, including any appropriate discretionary procedures provided for in its rules.*

If an insolvency procedure is commenced against a participant or an indirect participant, Euronext Securities Milan promptly activates the operating procedures described in the Service Regulations aimed at managing the settlement Instructions relating to the insolvent party.

These procedures include: (i) blocking on the acquisition of new settlement instructions in the settlement system that are attributable to the insolvent participant; and ii) cancellation of settlement instructions which are not settled after the declaration of insolvency.

Key consideration (KC) 3: *An FMI should publicly disclose key aspects of its default rules and procedures.*

The default rules of Euronext Securities Milan are contained within the Service Regulations of Euronext Securities Milan and are publicly available on the Company's website.

Key consideration (KC) 4: *An FMI should involve its participants and other stakeholders in the testing and review of the FMI's default procedures, including any close-out procedures. Such testing and review should be conducted at least annually or following material changes to the rules and procedures to ensure that they are practical and effective.*

As part of the testing of its default procedures, Euronext Securities Milan performs internal simulation exercises assessing the default of one or more participants in the various business lines and verifying the effectiveness and efficiency of the default procedures. The

simulation involves, where relevant, external parties. The simulation is carried out at least annually, according to a procedure that provides the relevant guidelines to be followed. Participants are informed about the test and results.

Principle 15: General Business Risk

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

Summary Narrative

Key consideration (KC) 1: *An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.*

The guidelines for the management of risks adopted by Euronext Securities Milan are defined by the Board of Directors. The framework outlining the objectives of Euronext Securities Milan in terms of risk management enables the management to have an acceptable risk level in pursuing its strategy and to identify the relevant responsibilities. Euronext Securities Milan has a framework for the management of all risks through documented policies, procedures and systems to identify, monitor and manage such risks. In terms of general business risk, the potential negative impact on profits and capital as a result of a failure to achieve strategic objectives may be caused by unforeseen changes in the market and regulatory environment, potential losses from administration and operation activities, exposure to economic cycles, client behaviour and technological changes. Adverse scenarios have been considered to manage possible increase of expenses or decline of revenues, and the impact is weighted into the Capital Calculation of Euronext Securities Milan.

To avoid potential losses from administration and operation activities, a robust control system has been implemented within Euronext Securities Milan. This framework, articulated in several levels, ensures a full segregation between control functions and operational functions. The first level controls are carried out by dedicated Business Units, fully separated from the risk-taking units. The second level, in compliance with CSD rules, is established as internal permanent second level control functions, which operate independently from the operational Business Units. The Third Level is performed by Italy Internal Audit Department.

Moreover, to mitigate the risk of failure in strategic objectives, Euronext Securities Milan prepares an annual budget and a three-year strategic plan with bull and bear scenarios to monitor and manage possible negative impacts.

Euronext Securities Milan also performs a quarterly review of its budget to ensure that the underlying assumptions are still valid and have not been invalidated by new market conditions or changes in its own financial situation or strategic objectives.

Moreover, when a main technical release or a new service is launched, Euronext Securities Milan organises meetings with participants in order to present the new features of the services, collect feedback, schedule tests and define go-live dates.

Key consideration (KC) 2: *An FMI should hold liquid net assets funded by equity (such as common stock, disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.*

Euronext Securities Milan holds high quality assets to cover their general business risk, in line with CSDR requirements.

A capital charge for business risk is estimated with an approach essentially scenario-based aligned with CSDR.

By making use of scenario analysis, the length of time required to achieve a recovery or orderly wind-down following a significant business loss is estimated by Euronext Securities Milan. The plan assesses the time and associated operating costs of achieving a recovery or orderly wind-down against a set of parameters (speed and timing, financial aspects, preparation criteria, etc).

Key consideration (KC) 3: *An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.*

Euronext Securities Milan has set up a recovery plan in accordance with CSDR requirements and calculating sufficient liquidity to cover more than six months of operating expenses. The six months of operating expenses are added to the capital adequacy requirements to ensure that the capital needed to finance an orderly wind-down plan is clearly separated from the capital to cover the other potential risks.

Key consideration (KC) 4: *Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.*

Euronext Securities Milan holds sufficient liquid resources to cover potential business losses.

Euronext Securities Milan invests its regulatory capital amount in highly liquid financial instruments with minimal market and credit risks made of plain vanilla debt securities issued or guaranteed by a government or a central bank.

Liquidation of the security can be asked on a daily basis.

In addition, Euronext Securities Milan deposits a part of its liquid resources at Commercial banks with high credit standing.

Key consideration (KC) 5: *An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of Directors and updated regularly.*

The capital planning exercise assesses capital adequacy on an annual basis and therefore the need for additional capital.

Deficiencies are normally expected and, in most cases, can be covered by retaining earnings and if not enough, Euronext Securities Milan can rely on its the shareholder for capital injection to cover the shortage.

Extreme but plausible scenarios are covered in the recovery plan which includes options to raise capital.

The capital plan and the recovery plan are reviewed and approved on an annual basis by Euronext Securities Milan Board.

Principle 16: Custody and Investment Risks

An FMI should safeguard its own and its participants' assets and minimise the risk of loss on and delay in access to these assets. An FMI's investments should be in instruments with minimal credit, market, and liquidity risks.

Summary Narrative

Key consideration (KC) 1: *An FMI should hold its own and its participants' assets at supervised and regulated entities that have robust accounting practices, safekeeping procedures, and internal controls that fully protect these assets.*

Euronext Securities Milan can only invest its own financial resources.

The Company's Investment activity of its own funds is regulated by the company Investment Policy, which is approved by the Board of Directors and reviewed on an annual basis.

This Policy outlines the investment framework, designed to facilitate the identification and the assessment of all investment risks to which Euronext Securities Milan is subject to and to ensure an efficient management of the portfolio of Euronext Securities Milan, in line with relevant regulation and with the company's risk appetite.

The objectives of the Policy are:

- describe the governance arrangements implemented by Euronext Securities Milan;

- ensure full compliance to Euronext Securities Milan Risk Appetite on investments approved by the Board of Directors;
- ensure full compliance with the applicable regulatory requirements;
- protect the company's Regulatory Capital maintaining an adequate level of liquid resources;
- describe the control system in place to ensure a proper monitoring of investment activity;
- determine streamlined rules to identify eligible financial instruments to be included in the investment portfolio;
- identify and detail the main risk types to which the investment portfolio may be exposed to;
- define the guidelines to manage all risks complying with the main applicable regulation, specifying the rules to be implemented while investing its financial resources and taking into account relevant Group Policies.

Key consideration (KC) 2: *An FMI should have prompt access to its assets and the assets provided by participants, when required.*

Euronext Securities Milan can only invest its own financial resources. The Company's Investment activity of its own funds is regulated by the the Investment Policy of Euronext Securities Milan, which is approved by the Board of Directors and reviewed on an annual basis.

Pursuant to Investment Policy, Euronext Securities Milan is allowed to invest either in:

1. Cash assets through sight and term deposits with a reasonable duration. Euronext Securities Milan is capable to liquidate deposited amounts on the same business day when the decision to liquidate is taken. The minimum duration has to be interpreted as the faculty to withdraw the deposit without penalties;
2. in Highly Liquid Financial Instruments meeting the following minimum liquidity criteria:
 - i) ECB eligible, freely transferable and without any regulatory constraint or third-party claims that impairs liquidation
 - ii) availability of reliable price data which are published on a regular basis
 - iii) availability of an active outright sale or repurchase market

Eligible Instruments must fulfil also further parameters as described within the Investment Policy of Euronext Securities Milan.

When invested in cash, the assets of Euronext Securities Milan are held in highly rated credit institutions with a maximum concentration of 35% of available cash in one Bank for diversification purposes. This and further risk protection criteria are regulated in the Investment Policy. Cash is available at any time as on current account. When invested in securities, it is put in a direct investment mandate composed of high-quality liquid assets.

Key consideration (KC) 3: *An FMI should evaluate and understand its exposures to its custodian banks, taking into account the full scope of its relationships with each.*

Euronext Securities Milan holds its own cash with commercial banks and central banks following rules and limits outlined in the Investment Policy. Finance department assesses the eligibility of banks based on an internal rating model which is periodically updated in order to ensure adequate monitoring to assess all exposures to the relevant entity as well as diversification of the money placement.

Key consideration (KC) 4: *An FMI's investment strategy should be consistent with its overall risk-management strategy and fully disclosed to its participants, and investments should be secured by, or be claims on, high-quality obligors. These investments should allow for quick liquidation with little, if any, adverse price effect.*

The Company's Investment policy is approved by Board of Directors and reviewed on an annual basis in view of applicable regulatory requirements and risk appetite of Euronext Securities Milan.

The Investment policy principles are driven by the requirements determined under CSDR, applicable to Euronext Securities Milan, while aiming simultaneously at minimising capital erosion risk. Own funds of Euronext Securities Milan can either be invested in securities or in cash (see KC2).

Both Risk and Finance departments are involved in the compliance monitoring process. Quarterly reporting is performed and reported to the Board of Directors of Euronext Securities Milan.

As per the Investment policy, Euronext Securities Milan is only allowed to invest its own funds in High-Quality Liquid Assets, investments can only be made in EUR denominated securities.

All investments are subject to rating on country, issuer, instrument type and maturity constraints to comply with CSDR provisions.

In addition, all instruments invested into, should have an ISIN with daily access to pricing information.

The investment procedure ensures that Euronext Securities Milan has same-day capacity to instruct a sale of assets.

Principle 17: Operational Risk

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

Summary Narrative

Key consideration (KC) 1: *An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.*

Euronext Securities Milan has established a robust risk-management framework built on its Enterprise Risk Management (ERM) Policy, Risk Appetite Framework, ICT Risk Management Policy, and Internal Control Policy. Together, these set out the systems, principles and processes used to identify, assess, monitor and manage operational risks in line with regulatory requirements. The framework embeds structured procedures, controls and clear segregation of duties across all business processes (Three Lines Model'), ensuring systematic detection and mitigation of internal and external sources of operational risk.

Operational risk management begins with a comprehensive risk-assessment process, where each business area evaluates changes, assesses potential impact and likelihood, and determines appropriate mitigation actions.

The ERM Policy and Internal Control Policy, supported by the control framework, ensure consistent identification, evaluation and treatment of risks across the organisation.

The whole framework incorporates continuous monitoring, including alert mechanisms, Key Risk Indicators, structured incident reporting and periodic reviews to ensure early detection of anomalies and ongoing compliance. Policies and procedures are subject to review at least annually, with structured, version-controlled updates ensuring continued alignment with regulatory developments and operational changes.

Business continuity and ICT resilience are integral components of the framework, supported by detailed continuity plans, automated systems and annual scenario analyses, including disaster-recovery and crisis-management testing. Euronext Securities Milan also participates in industry-wide simulations coordinated by the Bank of Italy to demonstrate its capacity to maintain secure, reliable and scalable operations, even under extreme conditions.

All core policies and strategic documents undergo annual Board approval, and mandatory risk-management training ensures all employees understand their responsibilities. The overall effectiveness of the framework is independently assessed through internal and external audits, supported by documented evidence such as risk-assessment reports, incident logs, audit findings and business-continuity test records.

Key consideration (KC) 2: *An FMI's board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI's operational risk-management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.*

The Risk Management Framework clearly defines roles and responsibilities for addressing operational risk within Euronext Securities Milan. The Board of Directors is responsible for approving the proposed levels of risk appetite and risk tolerance for the Company.

The Board has established a Risk Committee and appointed a Chief Risk Officer to oversee the risk management process, ensuring that operational risks are managed in line with the company's strategy and risk appetite.

The Risk Committee receives regular reporting on the Euronext Securities Milan risk profile, the status of Key Risk Indicators and material incidents, enabling informed oversight and advice at Board level.

Euronext Securities Milan has adopted a 'Three Lines Model' for risk management in line with generally accepted best practice:

The First Line, owns and manages risks, mitigation measures and/or controls within the scope of their activity. This is undertaken by business and operational departments, project teams and support functions.

The Second Line monitors, supports, and challenges assessment of risks and corresponding controls, identified by the First Line. This is undertaken by Risk Management function, Compliance function and Group Internal Control function as well as other specialist functions.

The Third Line provides independent assurance to the Board of Directors on the effectiveness of risk management and internal control in the First and Second lines. This function is undertaken by the Internal Audit department.

Systems, policies, procedures, and controls are subject to regular review, audit, and testing, including annual disaster recovery exercises, periodic internal and external audits, and targeted reviews following significant changes or incidents.

Policies and frameworks are updated at least annually, approved by the Board of Directors, and shared with relevant authorities, with transparency maintained through detailed reporting and regular supervisory assessments.

Key consideration (KC) 3: *An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.*

For each IT service a Service Level Agreement is defined that provides the targeted parameter in terms of availability of the service. In addition to this SLA, some other Key Parameter Indicators are also defined, and their control provides a systematic check about how system is behaving, how system's capacity is utilized. Monitoring and alerting systems are handled to capture any possible failure or malfunction of the system.

Monitoring and alerting systems guarantee a continuous check of the systems' behaviour, as well as tracking of all parameters also gives the right information about any possible adaptation/variation of the architectures, with the aim to prevent potential disruption or block of the systems.

The definition of a SLA in terms of availability of each system and the related tracking process allows to continuously verify the respect of the parameter implicitly granting the coherence with the defined Risk Appetite.

Key consideration (KC) 4: *An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.*

In accordance with the capacity management process of Euronext Securities Milan, the continuous control of the Key Parameter Indicators provides a systematic check about how system is behaving, how system's capacity is utilized. Moreover, a business capacity management process is provided in order to evaluate potential need of increase of capacity due to new services/products to be launched. In this case, tests with participants are also forecasted in case of major software releases and/or performance test, in order to verify, internally and externally, impacts of potential increase of volumes.

On a daily basis all KPIs and SLAs are tracked and monitored. Alerting thresholds are defined in advance for each parameter in order to monitor the system's behaviour during the day and to fix a level of the utilization whose achievement automatically activates a change management process with the aim to analyze the tracked figures and to address the following actions that must mitigate/eliminate any possible risk of block of the system.

Key consideration (KC) 5: *An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.*

Physical security controls are in place across all critical sites and data centres, including access restrictions, surveillance, and environmental monitoring to prevent unauthorised access.

Information security is governed by the Cyber Resilience framework covering cybersecurity, access management, data protection, network security, and vulnerability management. Cyber threats are monitored continuously, with detection and response capabilities in place to identify and contain incidents in a timely manner. Third-party providers with access to critical systems or data are subject to security assessments and contractual obligations to ensure standards are maintained across the supply chain.

Euronext Securities Milan has established information security governance arrangements within the IT organization to ensure controlled management of user access and application security. User access and credentials are managed through centralized Identity and Access Management processes, with quarterly access recertification in line with the Cyber Resilience Framework.

Systems and infrastructures are designed according to a defence-in-depth approach, with segregated environments, network security controls and secure connectivity mechanisms to protect access to systems and applications. Encrypted communication protocols and digital certificates are adopted.

Vulnerability assessments and security testing activities, including penetration testing, are periodically performed to verify the robustness of the architectures and support continuous improvement of the security posture.

Key consideration (KC) 6: *An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.*

Euronext Securities Milan has a Business Continuity Plan (BCP) that enables the FMI to respond to disruptions and to resume, recover and restore the delivery of services in accordance with its business continuity objectives. This document is intended to be used in the event of a major incident that may result in the unavailability of Euronext Securities Milan premises or data centres, the absence of key personnel or knowledge resources, the loss or compromise of critical data, the unavailability of a critical or important provider, cyber security incidents, or failures of IT services. In terms of Euronext Securities Milan critical services resiliency, Euronext Securities Milan Business Continuity Plan describes also objectives supporting the business targets for the timely resumption of critical operations.

The Business Continuity Plan sets out the strategies and procedures required to maintain the continuity of critical business activities during and after a disruptive event. It is reviewed at least once a year, or more frequently if there are significant organisational or operational changes. The main objective of the business continuity plan is to minimise the impact of incidents, safeguard essential operations and support a prompt recovery.

In the event of an IT systems disruption, the response is governed by the Disaster Recovery Plan agreed between Euronext Securities Milan and the outsourcer, as specifically referenced within the Business Continuity Plan. The scenario also depends on the SIP incident management procedures.

Critical functions and processes have been identified and categorised within the business impact analysis (BIA) document. For each of them Euronext Securities Milan BCP provides the following information:

- RTO (based on criticality)
- Minimum staff needed to run the activity/service and within what time
- Strategies to be used when loosing access to premises
- Strategies to be used if there is a local IT disruption
- Strategies to be used if there is a widespread IT disruption.

Formal procedures identify steps to follow in the event of incidents or listing people and organizations involved.

In particular, Euronext Securities Milan BCP provides the list of employees in order to:

- provide contact details
- count people during or following an incident
- identify who is part of the recovery team
- define who has Remote Access Capability for home working.

A specific table in the BCP provides names, roles and responsibilities of people belonging to the recovery team.

A dedicated table within the Business Continuity Plan lists both internal and external contacts, detailing the communication procedures to be followed during a crisis. Additionally, a call cascade flow is provided to manage internal communications within Euronext Securities Milan.

Since coordination and harmonization for all key players of the financial system is recognized as being a key factor, Euronext Securities Milan participates in the CODISE, the Business Continuity Working Group coordinated by the Bank of Italy, in agreement with Consob, and composed of representatives of the leading banking groups and the companies that manage infrastructures essential to the orderly working of the financial system.

CODISE is the coordinating committee for all activities, both within and outside Bank of Italy, relating to the handling of operational crises in the national financial system. In the event of a crisis affecting domestic operators, the CODISE coordinator (Bank of Italy) must provide the necessary liaison with the specific Bank of Italy's crisis management units, other domestic financial operators and the European Central Bank.

In the event of a disaster Euronext Securities Milan critical services will be restored within a 2 hours recovery time objective (RTO = 2 hours) in the secondary site (DR environment).

Since all the applications use synchronous mirroring of data to the secondary site, including transactions related data, Euronext Securities Milan would expect the data to be accurate and available up to the point of failure once the systems have been brought back online on the DR site: the maximum time period in which data might be lost is considered to be zero (RPO = 0) provided that no anomalies affect data mirroring operations between production and DR environments.

Secondary site

The secondary site (disaster recovery environment) meets the highest standards of security and resilience and is certified by an external body.

Alternative measures are provided to guarantee the continuity of the services, when possible, in accordance with the Business Continuity Plan.

Review and testing

In accordance with the Business Continuity Management policy, all business areas have to perform on:

- a quarterly basis, the systems' check, plan data verification and call cascade;
- a biannual basis the escalation process;
- a yearly basis the vital records recovery and the plan walkthrough.

In addition to this, Disaster Recovery simulation is conducted annually.

The crisis procedure sets out clear information regarding the Crisis Managers, specifically identifying those responsible for crisis management in the event of an incident at the European Central Bank (ECB) level. A shift system, comprising three Crisis Managers and three Settlement Managers, is established to ensure continuous coverage in the event of a T2S-related incident. The Service Manager and Crisis Manager are designated to lead crisis calls and to ensure coordination and communication between the two groups. Detailed procedures with assigned roles are defined within the Crisis Management Plan. The Crisis Manager is responsible for promptly notifying the relevant authorities.

Key consideration (KC) 7: *An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.*

With regards to key participants and other FMIs, specific Key Risk Indicators monitor the risk of failing to identify and manage operational risks that Euronext Securities Milan faces from key participants.

With regards to service and utility providers. Euronext Securities Milan expects critical service and utility suppliers to apply Euronext Securities Milan standards to ensure resilience and security of services provided. Euronext Securities Milan doesn't enter into an agreement with a critical service and utility suppliers that cannot meet these requirements and provide assurance that these standards are being met on an ongoing basis

Contractual agreements with the outsourcees are in place for all outsourced functions. Great attention is given to the definition of Service Level Agreements (SLAs), contingency procedures and procedures for the monitoring of the outsourcees through appropriate monitoring systems, periodical meetings for the verification of the outsourced activities, in particular deviations from SLAs, and auditing activities with the outsourcees' premises.

In compliance with the rules, contractual agreements also include arrangements allowing Bank of Italy and Consob to perform their respective supervisory duties towards outsourcees of Euronext Securities Milan.

Euronext Securities Milan has a Business Continuity Plan in place that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan incorporates the use of a secondary site and is designed to ensure that critical information technology (IT) systems can resume operations within

two hours following disruptive events. The arrangements aim to secure for Euronext Securities Milan to complete the business day, even in case of extreme circumstances. The arrangements are regularly tested.

Euronext Securities Milan has a Business Continuity Plan and a Disaster Recovery Plan. The Business Continuity Plan of Euronext Securities Milan is carried out in order to make the activation transparent for all clients. Disaster Recovery Plans must be shared with all relevant stakeholders since the Users of our systems must change the access address to Euronext Securities Milan.

Communication with local and foreign participants and relevant authorities to be activated in a business continuity or a disaster recovery event is tested and a communication plan for local and foreign participants and relevant authorities is there ready for use. In case of crisis, the communication will be received by the previous mentioned subjects in the shortest possible time after the crisis opening declaration and hourly updates during crisis are foreseen.

The activation of Business Continuity Plan as well as the Disaster Recovery Plan are tested at least annually. All relevant interdependent stakeholders are involved in tests except for CCPs and markets. A document describing the outcome of the test session is available to supervisory authorities and to requesting participants.

Principle 18: Access and Participation Requirements

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

Summary Narrative

Key consideration (KC) 1: *An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on reasonable risk-related participation requirements.*

Euronext Securities Milan offers its post-trading services in an equitable, transparent and non-discriminatory manner and allows fair and open access to its services ensuring an efficient risks management.

Within its Service Regulations, Euronext Securities Milan has designed its Onboarding Procedure defining the requirements that the participants shall be compliant with in order to adhere to its services. These requirements are clear, transparent and related to the risks, actual or prospect, the member may pose to Euronext Securities Milan.

Each legal entity intending to join Euronext Securities Milan services shall satisfy the legal, financial, technology and operational requirements.

The access to the System is subject to Euronext Securities Milan Internal Onboarding Committee; this committee is an advisory committee to the GM on any decision regarding (i) the analysis, evaluation and acceptance of the membership requests to the Euronext

Securities Milan System, (ii) the assessment of the alignment to the participation requirements and related decisions, (iii) the analysis, evaluation and acceptance of any changes of the participant status.

Service Regulations- of Euronext Securities Milan establish procedures for the participation to the System, in an equitable, transparent manner.

Euronext Securities Milan, acting as operator of a system, is subject to constraints of local laws and policies on the jurisdictions. The Finality Decree lists the entities that are allowed to be a participant to the system.

The possibility to act as Payment Bank in T2S for the purpose of settling against payment is bound by the conditions set by the Central Banks and not the CSDs (please see Principle 9 for more details).

Participation requirements

Euronext Securities Milan operates a fair, open and transparent access and participation process, with publicly disclosed, non-discriminatory participation requirements. The admission criteria are set out in the Euronext Securities Milan General Conditions and are publicly available on website.

Access criteria and requirements described in this principle apply to participants other than issuers, defined as “participants” for the purpose of Principle 18 and 19. Issuers may be admitted as clients if they respect the eligibility criteria and if their securities are eligible to be admitted in the CSDs according to the General Conditions.

Euronext Securities Milan has only contractual relationship with their direct participants or the so called “Centri Servizi” which operates on behalf of issuer that have a direct participation in Euronext Securities Milan. For more details see Principle 19.

Any applicant participant must meet the following preliminary conditions:

- be established in a jurisdiction that is not subject to Sanctions or that is not subject to a call for action from the Financial Action Task Force (FATF) in the context of the fight against money laundering and terrorism financing;
- provide adequate information enabling the CSD to meet the applicable anti-money laundering and terrorism financing requirements that apply to it.

In order to be admitted as a participant, as provided for by the Service Regulations, any applicant needs to belong to one of the following categories of subjects:

- Italian banks and EU banks, as defined in the Consolidated Law on Finance, as well as central banks and the Cassa Depositi e Prestiti, as bodies listed in Article 2(5) subparagraph 2 of Directive 2013/36/EU of the European Parliament and of the Council, dated 26 June 2013 pursuant to Article 1(1), letter h, no. 1 of the Finality Decree;
- Italian investment firms (SIM) and EU investment firms, pursuant to Article 1(1), letter h, no. 2 of the Finality Decree;
- firms in third-party countries that perform the same kind of activities as the entities referred to in letters a) and b) pursuant to Article 1(1), letter h, no. 4 of the Finality Decree;

- public authorities, or public enterprises as defined in Article 8 of Regulation no. 3603/93 of the EC Council of 13 December 1993, such as Poste Italiane, the Italian Ministry of Finance (MEF) and the European Investment Bank, as well as businesses whose activities are guaranteed by the State, pursuant to Article 1(1), letter h, no. 3 of the Finality Decree;
- issuers which do not perform the same kind of activities as the entities referred to in letters a) and b) and which participate in Notary Services and Maintenance Services as entities whose activity is significant as regards systemic risk, pursuant to Article 1(1), letter h, no. 5 of the Finality Decree;
- financial intermediaries entered in the register kept by the Bank of Italy and referred to in Article 106 the Consolidated Law on Banking, and authorised to perform the activities covered by Article 1(5), letters c) and c)-bis, of the Consolidated Law on Finance and, exclusively with regard to the trading of derivative financial instruments, authorised to perform the activities covered by Article 1(5), letters a) and b), of the Consolidated Law on Finance, as entities whose activity is significant as regards systemic risk, pursuant to Article 1(1), letter h, no. 5 of the Finality Decree.

The information and documentation to be provided by the Applicants is exhaustively mentioned in the Membership Welcome Kit, published on the website.

Additional specific documents are required depending on local regulatory requirements.

The admission criteria

As described in the Euronext Securities Milan General Conditions, any applicant is required to meet the following admission criteria:

- Technical and operational capability: an applicant must demonstrate it has both the staff and the technological infrastructure to meet the CSD's operational and security requirements and the T2S operational requirements, if the applicant intends to interact directly with T2S. The applicant must also demonstrate an ability to maintain this capability on an ongoing basis, including in contingency situations.
- Reputation in the market: an applicant must have a good name in the market. In making this determination the CSD will consider the applicant's regulatory status, if any, reputation of management and whether the applicant is a company whose securities are admitted to trading on a regulated market. The applicant should also be located in a country with an appropriate regulatory environment.
- Anti-money laundering program: the applicant must demonstrate that it has an adequate anti-money laundering programme in place which complies with applicable Law on prevention and detection of money laundering. In making this determination, the CSD shall consider the applicant's location as well as its identification, control and reporting procedures.

Risk assessment

The CSD may decline to accept any applicant upon a risk-based assessment which indicates that admission of the applicant could compromise the CSD's ability to provide prompt, safe, accurate and orderly processing and settlement of transactions, or could represent a threat to the security, integrity or reputation of the CSD or the CSD System or is likely to be disruptive to other Clients. In making this assessment, the CSD will consider factors relating to the applicant's risk control environment and will consider whether the applicant conducts regular risk assessments within its organisation in order to identify, quantify and prioritise risks against criteria relevant to its organisation.

Euronext Securities Milan may also impose additional conditions on applicants, for instance in order to avoid that Euronext Securities Milan become exposed to additional reporting, disclosure or other legal, tax or regulatory requirements. The admission of a participant cannot result in the CSD being in breach of applicable law requirements.

After a client has been admitted, monitoring is done to ensure the participant continues to meet the admission criteria. See KC 3 for more details. Participants are required to notify any material event or changes which may affect their ability to comply with the admission criteria.

Testing

To assess the applicant's technical and operational capability, the applicant needs to successfully pass any test the CSD or, as the case may be, the T2S operator, may reasonably request.

Governance of the Admission Process

The Euronext Securities Milan Onboarding Committee held by Senior management is competent for granting or refusing access to any applicant, based on a documented recommendation made by a multidisciplinary internal forum.

The Euronext Securities Milan Onboarding Committee, within 30 (thirty) days of the date of receipt of the application for access to the service, shall notify the applicant that it has been granted access to Euronext Securities Milan services or of the grounds for rejection, in accordance with the provisions of CSDR and the associated implementing provision.

The deadline indicated in paragraph 3 may be extended up to three months if the access application is submitted by: a) entities intending to participate in the Notary; b) central counterparties or other central securities depositories that wish to participate in the settlement service.

If an application is rejected, such written notification shall include the reasons for its rejection.

Appeal

If an applicant's request for participation is refused, it has a right of appeal according to Article 33 of CSDR: the appeals procedure, laid down in Article 90 of European Regulation (EU) No. 392/2017, shall apply.

Key consideration (KC) 2: *An FMI's participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI's specific risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavour to set requirements that have the least-restrictive impact on access that circumstances permit.*

The Company's Service Regulations, its amendments and all information related to the membership process are disclosed on the Company's website.

The Euronext Securities Milan admission criteria mentioned above are justified in terms of safety and aim to limit either specific risks, including operational risks (technology capability criterion) and legal risks (legal capacity requirement), or risks in general (internal controls and risk management and ethical standards).

As noted above, the admission requirements are set out in the Company contractual documentation.

All these are publicly available via the website of Euronext Securities Milan.

Key consideration (KC) 3: *An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.*

Monitoring compliance

Euronext Securities Milan monitors participants' compliance with the participation requirements described in KC1 and with which they must comply on a continuous basis. This monitoring is performed by the Membership department with the help of Risk Management tools.

This process results in a review of the admission criteria with the final aim of either confirming that a participant continues to comply with the criteria or identifying non-compliance that can ultimately lead to exclusion from the CSD. Client's eligibility to Euronext Securities Milan services has to be updated and reapproved at increased frequency if Euronext Securities Milan has knowledge of events that have material adverse effects on their participants (such as compliance issues made public).

The eligibility review aims to:

- demonstrate the ongoing compliance of participants with the Euronext Securities Milan admission criteria;
- regularly monitor certain issues that have affected individual participants since the last review;
- identify and assess potential risks arising from business relations with participants and, if indicated, escalate these to the relevant governing bodies who can decide to increase due diligence on impacted participant or that may ultimately decide to suspend or terminate a participant; and
- avoid damage to the reputation of Euronext Securities Milan and limit financial losses or liabilities deriving from external events that impact the Clients.

In case of non-compliance with one or several criteria, several actions may be undertaken, from increased monitoring of the Client to suspension or termination of access. The Onboarding Committee and/or Euronext Securities Milan Senior Management will be involved, as the case may be, for decision on required actions.

Participants' obligations

Participants are required to notify any material event or changes which may affect their ability to comply with the admission criteria.

Participants of Euronext Securities Milan also agree to comply with any request, which Euronext Securities Milan may reasonably make from time to time, for additional documentation which may evidence such continued compliance.

Suspension, disconnection or termination of clients

The Euronext Securities Milan Service Regulations list the situations where Euronext Securities Milan may terminate, disconnect or suspend the contractual relationship with a participant. The termination or suspension, to the extent permitted by applicable Law, can apply at any time, by written notification, with effect from such date and time as the CSD may specify. Please see Principle 13 – Participant default rules and procedures for more details.

The suspension of the access of a participant to the services and functionalities may be decided if such participant fails to comply to the admission criteria or under the conditions set by the Service Regulations.

The consequences of suspension, disconnection or termination are also described in the Service Regulations. These rules aim at minimising the disruption to the CSD system and its participants and the CSD that the suspension, disconnection or termination of a client could cause.

Principle 19: Tiered Participation Arrangements

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

Summary Narrative

Key consideration (KC) 1: *An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.*

Euronext Securities Milan does not have tiered participation arrangements but only has a contractual relationship with their direct participants. Euronext Securities Milan does not have any contractual relationship with the underlying clients of their participants and does not interfere in the contractual arrangements between its participants and the underlying clients of those.

Euronext Securities Milan manages risks posed by their direct participants on the basis of the criteria detailed in Principle 18. Euronext Securities Milan believes that currently it is not exposed to material risks arising from clients of its participants. In particular, Euronext Securities Milan does not run any credit risk (except the payment of invoices from their direct participants) or liquidity risk resulting from the settlement activity as it settles transactions in central bank money (as detailed in Principle 9). Besides, no material operational risks arise linked to indirect participant. Nevertheless, disruptions in the activity of a large underlying client of a participant could possibly affect the efficiency of settlement in the Euronext Securities Milan. Hence identifying these large underlying clients and ensuring that the concerned participant has the adequate operational setup in contingency situations is important to minimise the risks other participants could face.

In accordance with Regulation (EU) No 392/2017, Euronext Securities Milan has obligations to monitor operational risks that may be posed by key participants. This requires identifying “key participants” (as defined in Article 67(1)) and, potentially, the underlying clients of these key participants. Euronext Securities Milan has the right under General Conditions, to ask key participants to provide information related to their participants responsible for a significant portion of the transactions processed by the CSD.

Euronext Securities Milan gather information on participants’ underlying clients via the following means:

Key participants

The criteria to be considered as a key participant in Euronext Securities Milan are based on the following dimensions:

- transaction volumes;
- level of interdependency with other participants and the SSS of the CSD as a whole in the event of an operational problem affecting the smooth provision of services by the CSD;
- material dependencies between participants and participants’ clients, where such clients are known to the CSD, that might affect the CSD.
- Euronext Securities Milan monitors the above by:
 - identifying key participants on an ongoing basis;
 - ensuring that key participants continue to meet the access criteria;
 - identifying key participants’ underlying clients responsible for a significant proportion of transactions processed by the CSD; and
 - gathering, if relevant, additional information about dependencies on any of its underlying clients.

Any identified risk is managed in line with the Enterprise Risk Management Policy.

Account setup

All accounts opened in Euronext Securities Milan are identified as either proprietary, client omnibus or client segregated accounts.

Participants of Euronext Securities Milan have full flexibility on their account structure at the level of the CSD:

- to segregate their own assets from those of their underlying clients; and
- to segregate clients' assets via omnibus (possibly per business line) or individual structure.

The identification of the Euronext Securities Milan participants and their clients is performed in line with both applicable AML regulations and internal risk-based approach.

Key consideration (KC) 2: *An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.*

Euronext Securities Milan, under CSDR, is required to monitor the risks associated with key participants and their customers

The Settlement function monitors, on a daily basis, the settlement efficiency of the key participants to identify potential downgrades and the Head of Business Operations verifies the identified Key Risk Indicator on a quarterly basis. In the event that the monitoring activity highlights the repeated exceeding of the threshold, or in the event that a marked downgrade of the settlement efficiency of the key participant is detected at any time, the Head of Business Operations verifies with the key participant in question the underlying causes and, if deemed appropriate, and after consulting the CEO, the Supervisory Authorities are informed. Furthermore, for the purposes of monitoring each key participant, the Settlement function identifies its customers - known by Euronext Securities Milan as indirect participants - whose transactions, in terms of volumes and values, are at least equal to 25% of the total transactions regulated by the key participant at Euronext Securities Milan

Key consideration (KC) 3: *An FMI should identify indirect participants responsible for a significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.*

Please see KC 1 and 2

Key consideration (KC) 4: *An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.*

As mentioned in KC 1, Euronext Securities Milan does not recognise tiered participation arrangements and does not have a contractual relationship with the underlying clients of its participants. Based on current analysis, underlying clients of participants does not create material risks for Euronext Securities Milan.

The admission criteria, applicable to direct participants, and the admission process are documented in internal policies as well as on CSDR procedures.

Principle 20: FMI Links

An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.

Summary Narrative

Key consideration (KC) 1: *Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.*

The establishment of links is under the responsibility of Euronext Securities Milan, and it is performed according to the requirements set by art 48 of CSDR and in observance of this principle 20 of the PFMI.

Responsibility also covers the assessment of the receiving (I)CSDs and their market environment. The assessment is done at the time the link is set up, and its maintenance is carried out at least once a year and anytime changes at the (I)CSD or in the related market occur, thus requiring a new assessment.

The monitoring and the management of all the potential sources of risk connected to the links are integrated into the wider corporate process of risk management.

When considering a new link, all aspects are examined with the aim of identifying implied potential risks, as well as legal, technological and operational impacts. At this stage the activities required for shaping the relationship with the foreign (I)CSD and for setting up the link are identified. The process consists of the following steps:

- assessment of the prospective link
- link set-up

The analysis starts with a high-level risk assessment of the prospective link focusing on the market environment of the receiving (I)CSD country, on the basis of a country risk profile and covering among others: corruption, international transparency, major financial sanctions, level of cooperation according to the Financial Action Task Force, human rights, tax transparency.

Once the results of the high-level risk assessment are approved by the management, the setting up of the link continues with a more analytical assessment focussed on the acquisition and the evaluation of all information on the relevant aspects of the link set-up and implementation (legal, regulatory, operational, organizational, fiscal, financial, technological). The next step includes any IT enhancement or systems upgrades possibly necessary for operating the link.

The risks underlying the link are severely assessed and possible mitigating measures identified. The analysis is mainly focused on the receiving (I)CSD's:

- legal framework with particular emphasis on asset protection especially in insolvency proceedings of either the CSD itself or of one or more of the latter's participants; national provisions regarding the law applicable to securities and to settlement finality; ownership restrictions; local tax provisions and their implications; disclosure requirements; provisions regarding anti-terrorist financing and anti-money laundering; Terms and Conditions; participation contract and any other operating document;
- operational requirements with focus on the options available for opening and maintaining securities and, as the case maybe, cash accounts; settlement and corporate actions processing; connectivity options; operational capacity including in a business continuity environment; disaster recovery processes.

When considering the opening of a link with a CSD outside the EU, a wider assessment is carried out, in line with the requirements set by the CSDR in such context. In particular, it is assessed whether the rules and regulations in the foreign market are compatible with the ones of the home market.

At this point of the process a project team is called, whereas each unit involved is responsible for implementing the steps that are identified for the go live.

Once the CSD link is up and running, the receiving (I)CSD's performance is monitored daily, in the course of the ordinary operational activities by the operating units, with the support of the Network Management team whenever issues require escalations (for instance with reference to the respect of obligations of the foreign (I)CSD in the performance of its operations, as agreed between the parties, and to the smooth processing of operations).

Whenever the need occurs and, in any case, annually, all the key elements of the link and of the receiving (I)CSD are reassessed, also in view of ongoing compliance to the requirements of the CSDR. This monitoring is carried out mainly basing on the consultation of official questionnaires made available by (I)CSDs in their web sites in the role of respondents and on the ECSDA CSDs links arrangements questionnaires. The main scope of this revision is to guarantee the maintenance of the conditions which were investigated as prerequisites of the link set-up.

Key consideration (KC) 2: *A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.*

Assurance of a well-founded legal basis for the link is achieved through a careful analysis of the applicable domestic legal framework of the receiving (I)CSDs country to be sure that this is in line with the Italian one.

The Terms and Conditions governing the use of the system of the receiving (I)CSDs and the participation clauses included in the participation contracts also deserve attention.

The legal assessment carried out includes amongst others: the law governing the contract; the liability on each party of the relationship; the legal nature of the rights on the securities deposited in the books of the receiving (I)CSDs; the level of segregation offered; the laws applicable in case of the insolvency of the receiving (I)CSD and of its participants, with

particular reference to asset protection and the connected rules/procedures applied by the receiving (I)CSDs; the irrevocability and finality of transfer orders; the accessibility of assets; the confidentiality provisions, as well as the protection of personal data.

As part of such legal assessment, the Fiscal Department in Euronext Securities Milan also performs an analysis of the tax environment of the receiving (I)CSDs countries and of tax services and procedures at the receiving (I)CSDs level.

As anticipated, the above-mentioned elements focus special attention to evaluate possible impacts on Euronext Securities Milan and on its participants:

- whenever changes are communicated by the receiving (I)CSDs (or become otherwise known) to their Terms and Conditions or to their participation contract;
- when the scope of the link is enlarged to new services or to new instruments, if those have specificities;
- in the view of compliance to the CSDR requirements.

Before setting up the link with CSDs not ruled by CSDR, a legal opinion might be requested to international law firms with specific knowledge over the jurisdiction of the receiving (I)CSD, at our Legal Department discretion.

Key consideration (KC) 3: *Linked CSDs should measure, monitor, and manage the credit and liquidity risks arising from each other. Any credit extensions between CSDs should be covered fully with high-quality collateral and be subject to limits.*

For links within the T2S system, settlement is possible both on FoP and on DvP basis, in euro, in Central Bank Money. No credit or liquidity risk is implied in the settlement of transactions, as it is carried out directly on the securities accounts of the CSD participants and on their associated DCAs.

For links outside the T2S system, settlement is possible on FoP basis or on DvP basis, in euro, (except for the link with the US Depository Trust Company where only FoP settlement is supported) in Commercial Bank Money. As for DvP settlement, the liquidity and credit risk containment is guaranteed by the operational methods adopted by Euronext Securities Milan according to which the forwarding of the transactions to the foreign systems takes place only after checking the client's actual assets availability for settling those transactions. In particular, Euronext Securities Milan carries out a preventive control on the client's account regarding the cash availability (in case of purchase of securities) and the reservation of such cash to the transaction (pre-funding). In the same way, Euronext Securities Milan carries out a preventive control on the client's account regarding the securities availability (case of securities delivery) and the reservation of such securities to the transaction (pre-positioning).

Having no banking license, no credit extension is granted by Euronext Securities Milan to its participants in the context of settlement. In addition, negative balances in the securities accounts are not permitted.

Key consideration (KC) 4: *Provisional transfers of securities between linked CSDs should be prohibited or, at a minimum, the retransfer of provisionally transferred securities should be prohibited prior to the transfer becoming final.*

Provisional transfers are not allowed.

Key consideration (KC) 5: *An investor CSD should only establish a link with an issuer CSD if the arrangement provides a high level of protection for the rights of the investor CSD's clients.*

As anticipated above, the assessment carried out before a link is opened mainly focuses on the aspects of the protection of the assets of clients of Euronext Securities Milan, with reference to the domestic market legal framework. To this end, the participation agreement with the receiving (I)CSD, its Terms and Conditions and its operating rules are also analysed to make sure that no entitlement is granted to the receiving (I)CSD, its participants or their respective creditors, in case of bankruptcy or failure, over securities that Euronext Securities Milan holds in the accounts at that (I)CSD, on behalf of its own clients. The periodic review of all relevant aspects of the link grants that assurance over the level of protection of the rights of clients of Euronext Securities Milan is maintained.

Key consideration (KC) 6: *An investor CSD that uses an intermediary to operate a link with an issuer CSD should measure, monitor, and manage the additional risks (including custody, credit, legal, and operational risks) arising from the use of the intermediary.*

Euronext Securities Milan only maintains direct links with other CSDs. The link with Euroclear UK and International instead, as per system rules, foresees the intervention of a "Sponsor". Rights and obligation of the Sponsor are clearly stated in the Euroclear UK and International participation contract.

Principle 21: Efficiency and Effectiveness

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves

Summary Narrative

Key consideration (KC) 1: *An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.*

In accordance with Article 28 of CSDR and Article 17 of its Statute, Euronext Securities Milan S.p.A. (or "Euronext Securities Milan") on 18 January 2019, established the Users Committee, composed by 11 members as representatives of participant and issuers, and

a Chairperson. The User Committee provides independent advice to the Board of the CSD, on key arrangements that impact the CSD's members.

Euronext Securities Milan has set up, at national level, several working groups with its participants (Post Trade Participant Committees) and participates to national and international associations and advisory groups (E.g. National Stakeholders Group, Ami-SeCo, ECSDA, etc.) coordinating at national and international levels the adherence to market standards, product enhancements, developments and evolutions of its systems, products and operations to ensure they meet the needs of its participants and the markets it serves.

Euronext Securities Milan regularly collaborates with its customers, organizing seminars and meetings in order to inform them of developments, new services, changes and amendments to the offer of services.

In accordance with the CSDR regulation, the appointed customers also participate in the User Committee meetings organized by Euronext Securities Milan.

In terms of connection and usage of services, participants can choose the cash and securities settlement methods they prefer, by participating directly in the TARGET2 and / or T2S settlement platform.

The IT infrastructure also offers several options to allow participants to feed their applications with information, based both on data recovery and on the Application-to-Application methodology (also A2A) in compliance with international standards.

As a financial market infrastructure, Euronext Securities Milan mission is to provide post-trade services that support safe, resilient and efficient capital markets in Italy and other markets where Euronext Securities Milan is a CSD Investor. Euronext Securities Milan offers a range of value-added services that meet the changing needs of the financial markets. Euronext Securities Milan is committed to building a strong and sustainable future for the benefit of both customers and the capital markets in which it operates.

Euronext Securities Milan monitors customer satisfaction, in particular through the opinions of customers collected during the periodic meetings that take place on many specific post-trade issues in the Euronext Securities Milan, via dedicated surveys and the User Committees described above and takes corrective actions when necessary. The management of ICT risk by Euronext Securities Milan ensures the highest levels of system availability, preventing incidents from having an impact on clients or, when this happens, ensuring that problems are resolved quickly without minimum or minimum external effects.

Key consideration (KC) 2: *An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-management expectations, and business priorities.*

The Company's approach and its role in the financial system require that there is an attitude and predisposition to act in a fair, transparent and non-discriminatory way in offering its services based on rules, criteria and procedures that guarantee safety and security, equal treatment between market infrastructures and its participants.

As for the objectives that meet the needs of its participants and the markets it serves, Euronext Securities Milan follows the standards and best practices in order to ensure greater effectiveness in relation to the basic operating processes.

With reference to the minimum service levels, Euronext Securities Milan, pursuant to CSDR and to the "Guidelines of the Bank of Italy on business continuity for financial market infrastructures" published in May 2014, is committed to guarantee the most reliable and resilient financial services. To this end, the Company guarantees that these services, identified as "critical", will be resumed within two hours of the reporting of an incident or disturbing event.

As part of the planning process for new services, Euronext Securities Milan follows the standards indicated in the Project Management Policy.

The Board of Directors, in the context of defining its strategic guidelines, ensures that the objectives, in terms of effectiveness, are measurable and achievable with the formal annual approval of the relevant documentation relating to Business Continuity Plan, , Risk Appetite Framework and main developments of new services.

Furthermore, the achievement of the targets is ascertained through a regular evaluation and review carried out, among other things, by relevant corporate bodies and functions: second line functions (Risk Management function, Compliance function and Group Internal Control function), third line function (Italy Internal Audit) Users Committee, Risk Committee and Board of Directors.

In addition, business continuity simulations are planned and performed on an annual basis and disaster recovery simulations are performed twice a year. The results of the simulations are duly communicated to the Board of Directors

Key consideration (KC) 3: An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.

Euronext Securities Milan reviewed almost all its processes in order to become a more agile and flexible organization. Through the application of Lean Six Sigma principles Euronext Securities Milan was able to enhance business scorecard to track productivity and efficiency measures, improve operational processes control to react promptly to any business disruption or change, eliminate redundancies and waste by standardizing operating processes, improve planning to achieve work balance and avoid under-capacity issues, identify improvement areas and also deploy, for specific tasks, Robotic Process Automation.

Euronext Securities Milan also reviews, on a periodic basis, its KPIs.

Minimum service levels are evaluated taking into account ad-hoc guidelines and the procedures in which the key elements are defined to handle any operational risk incident with regards to identification, mitigation actions and reporting to internal and external parties. Furthermore, Euronext Securities Milan evaluates its efficiency and effectiveness by arranging regular meetings with its participants. The key outcomes are recorded in the meeting minutes, and the highlights are presented to the Euronext Securities Milan Management Committee. The Risk Management function monitors on an ongoing basis potential operational incidents. The outcomes of this evaluation are reported to the CEO and the Management Committee.

Principle 22: Communication Procedures and Standards

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

Summary Narrative

Key consideration (KC) 1: *An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.*

Euronext Securities Milan, in order to facilitate effective communication between itself and its participants, CSDs and CCPs and, at the same time, to improve the quality and efficiency of custody and settlement transactions, adopts standardized communication media and protocols.

Referring to the use of an internationally accepted communication standard, all the instruments centralized in Euronext Securities Milan can be identified through an ISIN code and all counterparties are identified using standardized code such as BIC Code, or ABI code. Euronext Securities Milan is already LEI (Legal Entity Identifier) compliant.

The connections with the Trading Platforms are based on IBM MQ-Series, that represents one of the most reliable solutions providing communication mechanisms between applications on different platforms. The connection with T2S is based on ISO 20022 xml-based messages via Eurosystem approved VANSP connectivity.

Reports and data files are available on a SSL secured internet web site (Moti4U). The participants can download them just after a personal digital certificate subscription to Trust Certification Authority, and traffic is secured by HTTPS protocol.

All the interactions between Euronext Securities Milan and its participants are managed with the Straight-through Processing (STP), relying on the ISO Swift messages as far as the cash movement is concerned, since Euronext Securities Milan is allowed to execute direct debit and direct credit on participant's account at the Central Bank. Euronext Securities Milan uses the SWIFT ISO15022 as main communication standard to domestic and International CSDs.

Participants rely on readable flows, based on XML protocols and ASCII format, to reconcile the most relevant data (such as trades, positions, margins, fees). Participants can also interact with Euronext Securities Milan programmatically by means of webservices over protected or dedicated channels in the A2A application.

Communication procedures & standards

Euronext Securities Milan offers a range of connectivity solutions and communication procedures to its participants and other market infrastructures; such solutions leverage existing internationally agreed standards i.e. mostly ISO 15022 or 20022.

Interaction between Euronext Securities Milan and its participants is either application-to-application (i.e. STP communication solutions via Mt-x for STP) over different networks (SWIFT, BT, SiaNet, and Public Internet over VPN) or User-to-application (over Https traffic).

Key services are available to Euronext Securities Milan participants via both communication means.

In recent years, Euronext Securities Milan has continuously invested in ISO standards, suppressing non-standard protocols where possible. Euronext Securities Milan has also made important investments in ISO 20022 allowing its market participants and other infrastructures to benefit from the advantages of ISO, making it easier for them to connect to Euronext Securities Milan services.

Over the years to come, Euronext Securities Milan entities will continue to apply this approach to its different connectivity solutions.

Principle 23: Disclosure of Rules, Key Procedures and Market Data

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

Summary Narrative

Key consideration (KC) 1: *An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.*

Euronext Securities Milan discloses its rules and procedures on the Company's website and ensures that the overall documentation is clear, comprehensive, updated and compliant with the International standards, as well as the European and National regulatory frameworks.

Euronext Securities Milan provides current and prospective participants with the disclosure of the relevant documentation in order to allow them to assess and understand the risks they incur by participating in the CSD system. Euronext Securities Milan Service Regulations set forth the rules and the key procedures followed in ordinary operations and in exceptional events such as, *inter alia*, procedures for default management, procedures for the physical and logical protection of data relating to the System, procedures of recovery, re-activation, and restoration for data processing that ensure the continuity of the service.

Service Regulations of Euronext Securities Milan are regularly reviewed and updated, if needed, following an internal process which involves:

- consultation process with the main associations and participants, in order to share the proposed changes and take into consideration relevant comments;
- evaluation of changes by the Supervisory Authorities;

- receipt of a mandatory non-binding opinion of the Risk Committee, if the topic is within its remit;
- final approval by the Board of Directors.

Upon approval, Euronext Securities Milan informs its participant by releasing a Market Notice published in the pertinent section of the Company's website and, in addition, by sending via e-mail the said Notice to the participants.

Furthermore, Euronext Securities Milan has adopted a set of internal organisational measures to facilitate the practical implementation of the key procedures outlined in the Company's Service Regulations.

Euronext Securities Milan also publishes on the website a set of documents to provide further information on its services and potential risks borne by participants including e.g.:

- Description of levels of segregation;
- CPMI-IOSCO Disclosure Framework;
- Due diligence pack which elaborates replies to industry standardised questionnaires.

Key consideration (KC) 2: *An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.*

In order to allow a comprehensive understanding of the activities related to the CSD system, Euronext Securities Milan discloses on the Company's website all the relevant information concerning the system design and operations, including a high-level description of the IT architecture, connectivity requirements, operational manuals and forms.

The legal and regulatory framework in which Euronext Securities Milan operates is fully disclosed and available on the website, whereby participants may retrieve adequate information concerning their rights and obligations in relation both to the participation requirements and to the operational activities.

Detailed service descriptions are available to participants describing the Euronext Securities Milan system's design and operations and detailing how the service is offered by Euronext Securities Milan. They are updated whenever needed and among other documents, complement Euronext Securities Milan General Conditions and gives the participants a view on the design and operations of the specific services and the generic risks as well. Rights, obligations and risks of participants of Euronext Securities Milan are detailed in its General Conditions

Key consideration (KC) 3: *An FMI should provide all necessary and appropriate documentation and training to facilitate participants' understanding of the FMI's rules and procedures and the risks they face from participating in the FMI.*

Euronext Securities Milan Provides its participants with all necessary and appropriate documentation and testing to facilitate the understanding of the rules and procedures and the risks stemming from participation to the CSD system.

Key consideration (KC) 4: An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts. The FMI should provide clear descriptions of priced services for comparability purposes.

Euronext Securities Milan publicly discloses the fees schedule for the services provided with related detailed information, including the applicable conditions and the validity period. Euronext Securities Milan notifies the participants of the amendments to the fee schedule by official market notices published also on the Company's website.

Key consideration (KC) 5: *An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.*

In order to be compliant with and to prove its adherence to the CPMI-IOSCO Principles for FMIs, Euronext Securities Milan publishes on its website the current disclosure. The aforesaid document will be subject to review at least once every two years and following any material changes occurred.

According to requirements provided by the European regulation, Euronext Securities Milan publish on aggregate basis volumes and values on transactions settled in its settlement system.

LIST OF PUBLICLY AVAILABLE RESOURCES

- Company's website
- Governance
- Rules and Regulations
- Risk Management
- Euronext Securities Milan Technological Infrastructure
- Participation Requirements
- Operation Manuals and Forms
- CSDR
- Market Notices
- Fee Schedule

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