

EBM MTF

Market Rules

EFFECTIVE AS OF 16 MARCH 2020

EBM is a Multilateral Trading Facility organised by MTS S.p.A.



1. General Provisions

1.1 Definitions

1. In these Rules the following expressions have the following meanings:

“Applicable Laws”	means all applicable laws, regulations, regulatory requirements (including any guidance, orders or other directions of a regulatory authority), market rules and / or market conventions, as applicable from time to time in the relevant jurisdiction;
“Best Price”	means the highest price in the case of an offer to buy and the lowest price in the case of an offer to sell;
“Bid-Ask Spread”	means the difference between the price or yield quoted to buy (Bid) and the price or yield quoted to sell (Ask);
“Capital”	shall mean Tier 1 regulatory capital or the equivalent, as defined under the Capital adequacy regime of the Participant’s home state regulator;
“CCP Trade”	means a Trade by two CCP Participants on a CCP Financial Instrument where the CCP will become the seller to the buyer and the buyer to the seller, in accordance with the relevant CCP regulations as applicable from time to time between the CCP and its members;
“CCP financial instruments”	means all Financial Instruments that have been specified by the relevant CCP as eligible for a CCP Trade;
“CCP Participant”	means a Participant who is a member, either direct or indirect, of a CCP and who has lodged a CCP application form to participate in the Market as a CCP Participant with MTS;
“Central Counterparty or CCP”	means a central counterparty as listed in Article 5 of these Rules;
“Consob”	means the public authority responsible for regulating the Italian financial markets
“Double-Sided Quote”	means a type of Quote involving both an offer to buy and an offer to sell entered at the same time in the Market;
“Fair Market Value”	has the meaning ascribed to it in Article 4.9 of these Rules;

“Financial Instrument”	means the securities, issued or in the process of being issued, which are available for trading by Participants on the Market, as specified within these Rules; they include government bonds, corporate bonds, including structured bonds and other securities, if any, if specified within these Rules;
“Grey Market Securities”	means a Financial Instrument which an issuer has officially announced (including ISIN Code, maturity and coupon) is to be auctioned but it is not yet been issued;
“Group”	in relation to an entity, shall mean the group of company in accordance to article 11 of Legislative Decree n. 58/2018 of 24 February 1998 (“TUF”);
“Instrument Class”	means a category of Financial Instruments identified as such by MTS from time to time and available on the Market.
“Large in Scale”	means the threshold set from time to time by ESMA in relation to a Financial Instrument, in accordance with Article 9(1)(a) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012;
“Limit Price”	when sent together with an Order, It means the highest or lowest price at which a buyer or a seller respectively is willing to trade;
“Liquid”	means a Financial Instrument for which ESMA has from time to time classified as having a liquid market, as defined in Article 2(1)(17) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012;
“Liquidity Provider”	means a Participant authorised to trade Financial Instruments belonging to a specific Instrument Class by means of Orders and Quotes in accordance with these Rules.
“Major Market Incident” or “MMI”	has the meaning ascribed to it in Article 4.9 of these Rules;
“Market Maker”	means a Participant pursuing a Market Making Strategy on specific Financial Instruments and that has notified MTS

accordingly. The Market Maker can trade on the Market by means of Orders and Quotes and it is subject to the Market Making Commitments;

- “Market Making Commitments” means the commitment of a Market Maker to quote on the Market as set out in Article 4.11 of these Rules;
- “Market Making Strategy” as defined in Article 17, paragraph 4, of Directive 2014/65 EU and in Article 61 of the TUF and as further specified in these Rules
- “Market” means the electronic platform organised as a multilateral trading facility managed by MTS S.p.A.;
- “Membership Documentation” means the legal agreement between MTS and each Participant relating to the provision of the Services, as defined in the General Terms and Conditions available on MTS website www.mtsmarkets.com/Documents/Market-Rules. The Membership Documentation comprises the Application Form, the General Terms and Conditions and the relevant Schedules, including these Rules and the Fee Schedule, as well as by any document included by reference;
- “Mid-Price” means the price for a Financial Instrument calculated by the Market that a Participant may make an Order to buy or sell;
- “Minimum Increment Quantity” means the minimum quantity by which the size of an Order, Quote or a Trade Registration, can be increased, as determined and configured by MTS and published in the Rules;
- “Minimum Mid-Price Execution Size” means the minimum quantity at which Mid-Price Trades can be matched;
- “Minimum Quote Size” means the minimum quantity for Quotes as configured and determined by MTS and published in the Rules;
- “Minimum Single Side Quote Size” means the minimum quantity for Single Side Quotes as determined and configured by MTS and published in the Rules;
- “Minimum Trade Registration Size” means the minimum quantity at which Trades can be registered using the Trade Registration functionality;

“Minimum Trading Size”	means the minimum quantity at which Trades can be matched and the minimum quantity configured for fill-or-kill and fill-and-kill Orders as determined by MTS and published in the Rules;
“MTS”	means MTS S.p.A., the market operator regulated by the Italian Ministry of Finance, Bank of Italy and Consob, with registered office in via Tomacelli 146, 00186 Rome, Italy that operates the EBM MTF;
“Order”	means the acceptance, whether whole or partial, of a Quote, transmitted and processed via the Market;
“Participant”	means any participant accepted by MTS to participate in the Market, i.e. Market Makers, Liquidity Providers and Price Takers
“Price Taker”	means an institution authorised by MTS to take part (by means of Orders and Single-Sided Quotes) in the trading of Financial Instruments on the Market, in accordance with these Rules.
“Price”	in respect of the sale of a Financial Instrument means the amount representing the percentage of the nominal amount of the Financial Instrument payable in respect of such sale (excluding accrued interest unless otherwise provided in the relevant Article), which may also be expressed by reference to yields unless explicitly stated otherwise;
“Quasi-Government Enterprise”	means: <ul style="list-style-type: none">i) an entity explicitly created and governed by the laws of any country which is subject to ongoing supervision and in which one or more members of the governing board are appointed by the relevant government;ii) supranational issuers;iii) incorporate issuers issuing securities guaranteed by a sovereign government.
“Quote”	means the double-sided or single-sided offer to buy or sell a Financial Instrument on the Market with specification of the quantity and the Price quoted and the security that is intended to trade;

“Rate”	means the interest rate proposed within an Order or Quote submitted by a Participant or agreed between two Participants in a Trade;
“Regulatory Specifications”	means a section of MTS website available at http://www.mtsmarkets.com/resources/market-rules where parameters and other relevant information are included and referenced herein.
“Rules”	means these rules of the Market as may be amended or replaced from time to time by MTS;
“Single Sided Quote”	means a Quote to buy or a Quote to sell;
“Technical Specifications”	means a series of technical documents, including the so called Technical Bulletin, or any one thereof, published on a web based portal (known as MTS Technology Portal), whose access codes are made available to the Participant, as amended and integrated from time to time by MTS, describing the functionalities and operations of the relevant Market;
“Trade Registration”	means the conclusion in the Market of a Trade which has been negotiated outside of the Market
“Trade”	means a match on the Market of either a Quote and Order or two Quotes creating a legally binding obligation between two Participants;
“Trading Day”	means a day on which Financial Instruments may be traded on the Market;
“Trading Hours”	means the hours of the Trading Day during which Financial Instruments may be traded on the Market.

1.2 Market Rules

1. The objective of these Rules is to regulate the organisation and operation of the Market, which is a multilateral trading facility (“MTF”) by establishing the relevant terms and procedures. In particular a) the terms and procedures for admission, exclusion and suspension of financial instruments from trading; b) the terms and procedures for admission, exclusion and suspension of Participants from trading, c) the terms and procedures for conduct of trading, including Market Making Commitments, and the operation of the associated services, d) the procedures for publication and circulation of information, and e) the procedures for supervision and relevant sanctions. These Rules, as updated from time to time, are available on MTS website www.mtsmarkets.com/Documents/Market-Rules.

2. The relationship between MTS and the Participants concerning participation in trading on the Market shall be governed by the Membership Documentation, of which these Rules constitute a schedule. The Participant before it is admitted to trade on the Market shall declare to know, understand and accept, having examined it on MTS website at <http://mtsmarkets.com/Documents/General-Terms-and-Conditions>. and/or, for documents not available on the website, having had received a copy thereof and having had the chance to discuss the contents with MTS. Additionally the Participants shall examine the technical documentation available to all Participants in a password protected environment, currently known as Technical Portal.
3. Participants are required, when applicable, to pay fees for the services provided in accordance with the amounts, intervals and time limits established by MTS on the basis of transparent, non-discriminatory criteria and indicated in the publicly available Fee Schedule which forms part of the Membership Documentation.
4. References herein to an Article shall mean an Article of these Rules.
5. These Rules shall be governed by and construed in all respects in accordance with the laws of Italy. Trades concluded on the Market shall be governed by Italian law and any dispute relating thereto and deriving therefrom shall be exclusively subject to the jurisdiction of the Court of Milan, unless the parties have previously agreed otherwise to the extent permissible by law. The choice of a governing law and/or jurisdiction other than the Italian law and the jurisdiction of Milan Courts, shall, however, be void if it would result, directly or indirectly in the non-compliance with, even partial, with these Rules.

2. Financial Instruments

2.1 Financial Instruments

1. MTS may make available for trading on the Market the following Financial Instruments provided that they comply with the criteria indicated in point 2 below:
 - a) Government Securities, meaning Financial Instruments issued by governments in their local currency;
 - b) Sovereign Securities, meaning Financial Instruments issued by governments in a currency other than their local currency;
 - c) Quasi Government Securities, meaning Financial Instruments issued by a Quasi Government Enterprise;
 - d) Covered Bonds, meaning Financial Instruments collateralised with mortgages and/or public sector loans, issued by banks.
2. Financial Instruments shall:

- a) be listed or admitted to trading on a regulated market or on a multilateral trading facility within the EU;
- b) have a principal amount outstanding of not less than 100 million Euro;
- c) be denominated in Euro and or in other currencies as determined by MTS;
- d) with the exception of Government Securities, have a rating equal to "investment grade" to be defined as a securities which at least one rating agency has rated as "investment grade";
- e) satisfy additional internal MTS requirements such as anti-money laundering provisions, and transparency;
- f) be freely transferable and not subject to liens or encumbrances; and
- g) be registered with the relevant central securities depository authorised in accordance to article 17 of Regulation N. 909/2014 (CSDR) or with a central securities depository of a non EU country recognised in accordance to article 25 of CSDR. The Financial Instruments can also be registered with a central securities depository that has applied to be authorised in accordance with the CSDR and that continues operating in accordance with the temporary regime provided by article 69(4) of CSDR..

MTS can also apply additional criteria if deemed useful in order to maintain an orderly functioning of the market of the Financial Instruments or if required by anti-money laundering provisions and/or transparency. Financial Instruments that at any time do not comply with the parameters indicated above might be suspended from trading by MTS. Notice of the relevant suspensions will be made public via MTS website.

3. MTS may make available for trading Grey Market Securities on an as-if-and-when-issued basis from the day on which the announcement has been made to the day on which those securities will have been effectively issued. If it is officially announced that the auction of a particular Grey Market Security will not take place, then that Grey Market Security shall automatically cease to be available for trading on the Market and all Trades that have been concluded in respect of it shall be treated as cancelled.
4. The full list of the Financial Instruments available for trading on the Market is available, as updated from time to time, on the trading platform itself and / or on the MTS website. MTS will use reasonable endeavours to inform Participants of any change of the category of Financial Instruments available on the Market by electronic communications. MTS shall endeavour to periodically review the Financial Instruments available on the Market.
5. MTS, upon request by Consob, shall suspend or remove from the Market any Financial Instruments. Additionally for the purpose of maintaining orderly and fair market conditions, MTS shall have the right to suspend or remove from the Market any Financial Instruments. Suspension or removal of Financial Instruments can also be based on the request of one or more Participants or due to extended lack of trading or as a result of the implementation of Circuit Breakers required in accordance with Art. 48(5) of MiFID II and of the ESMA Guidelines (Calibration of circuit breakers and

publication of trading halts under MiFID II) in order to maintain an orderly market. The relevant criteria are indicated in the Regulatory Specifications.

2.2. Minimum Lots

The Minimum Quote Size and the Minimum Trading Size for Financial Instruments shall be Euro 1 million. Where this amount deviates from the aforementioned size for a particular Financial Instrument, MTS shall endeavour to communicate any change in the Minimum Quote Size and the Minimum Trading Size via email with an advance notice of five (5) Trading Days from the day the change will come into effect. Participants will only be permitted to enter Quotes on the Market in an amount equal to or in excess of the Minimum Quote Size. Participants will only be permitted to enter fill-or-kill and fill-and-kill Orders on the Market in an amount equal to or in excess of the Minimum Trading Size. The Minimum Increment Quantity shall be set at a minimum of 0.5 million Euro. Changes to the Minimum Increment Quantity shall be communicated as indicated above for the changes to the Minimum Trading Size.

3. Participant Admission Criteria

3.1 Participant admission criteria

1. The following companies and entities may be admitted to trading on the Market:
 - a) Credit institutions and investment firms authorised as such in a country which is a member of the European Union;
 - b) Credit institutions and investment firms authorised as such in a country which is not a member of the European Union, in line with the relevant provisions of Directive 2014/65/EU and of the Regulation (EU) 600/2014 and with article 67 of the TUF or with any other laws and regulations applicable to the relevant Participant, are allowed to access a multilateral trading facility;
 - c) Other types of participants, such as for example monetary authorities, central banks, government entities responsible for managing the public debt, other entities with similar functions in the European Union or non-EU countries that, in accordance to the European legislation and the provisions of the TUF, are allowed to trade on a regulated trading venue.
2. To become a Participant, an applicant must satisfy MTS that it complies with the following requirements:
 - a) it is authorised to deal in investments on own account (or as principal) without any regulatory limitations other than standard limitations. Trading in a capacity other than "on own account" is allowed upon MTS prior written consent.
 - b) it belongs, either directly or via an agent, to a relevant clearing and settlement institutions specified in Article 5 and has suitable links with such institutions for the settlement of Trades;

- c) it is a fit and proper person to be a Participant, including, without prejudice to the generality thereof: (a) that it has an adequate organisation to be a Participant b) its trading staff shall (i) know rules and operating procedures of the Market, and the trading functionalities available, and (ii) have adequate professional qualifications; c) its compliance function shall (i) have a good knowledge of these Rules and of the rules governing the functioning of the Market and (ii) provide adequate support to its trading structure in their operation.
- d) it has Capital of at least Euro 10 million or the equivalent in a different currency;
- e) it will have in place adequate systems and control arrangements as requested by MTS by MTS in accordance with Applicable Laws;
- f) the software used to access the Market has undergone the appropriate conformance testing with MTS; and
- g) it holds a valid ISO 17442 legal entity identifier code.

3.2 Participants admission procedures

1. To become a Participant to the Market, MTS shall receive from the applicant a complete application, with all the relevant attachments, in the form prescribed by MTS. In examining the application MTS reserve the right to ask the applicant for additional information and documentation where it deems it appropriate. Once MTS considers the application to be complete it will reply to the applicant within 10 working days.
2. Upon receipt of a complete application, MTS will evaluate whether or not the applicant meets the criteria as outlined in these Rules, the applicable Consob regulations and any additional MTS operational objective and non discriminatory requirements. No application will be accepted if it is deemed that the admission of the applicant would be, (i) able to jeopardise the proper functioning or orderly trading of the Market or its electronic markets and/or (ii) it is filed for purposes other than for trading on the Market. The decision of rejection of an applicant shall be communicated to the applicant with an indication of the relevant motivations and evaluations. The rejection of an applicant shall not prevent the possibility to submit another application.
3. The applicant shall indicate in the application the role it intends to fulfil on the Market. The roles currently available on the Market are: Market Maker, Liquidity Provider and Price Taker. MTS maintains an updated list of Participants, their role and a list of the Financial Instruments available for trading on the Market.

3.3 Participants' on-going undertakings

1. Each Participant represents, warrants and undertakes to MTS and to all other Participants that for the whole period in which it is a Participant on the Market up to and including any period during which there is any outstanding Trade of which the Participant is a party awaiting settlement by it on the Market:
 - a) the admission requirements listed in Article 3.1.2 above shall be maintained on an on-going basis;

- b) it will trade on the market only on a dealing on own account capacity and will not act for a third party and will not enter into Trades on the Market other than for proper trading purposes. Trading in a capacity other than "on own account" is allowed upon MTS prior written consent;
- c) it will comply with the Rules and with the established Market operating procedures, including but not limited to, safeguarding passwords assigned to it by MTS and maintain any other security credentials in accordance with the established operating procedures to prevent any unauthorised access to the Market and access the Market only via software and connectivity systems approved in writing by MTS;
- d) it will notify MTS in writing, via the Membership Portal, no later than three months prior to any change in the Participant's regulatory status that will either trigger or remove the obligation on MTS under Article 26(5) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 to perform transaction reporting in relation to the Participants' Trades on the Market;
- e) it will at all times comply with any relevant laws and regulations applicable to Participants in relation to their activity on the Market, including those on market abuse, as amended from time to time and as applicable in the relevant jurisdiction including the Commission Delegated Regulation (EU) 2017/589 of July 2016, supplementing Directive 2014/65/EU of the European Parliament and the Council with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading;
- f) it will act with fairness, honesty, due skill, care and diligence and will refrain from any act that may jeopardise the proper functioning of the Market or undermine the integrity of trading on it;
- g) It will be responsible for the acts and omissions of its employees and agents and it will ensure that those registered to conduct its trading activities on the Market are duly authorized, competent and appropriately trained; any behaviour of the traders in violation of these Rules shall be considered as being performed by the Participant;
- h) it will deal with MTS in an open and co-operative manner, including (i) to notify MTS, via the Membership Portal, without delay, of any material change to the information supplied in its application to MTS (including of the relevant Legal Entity Identifier), (ii) to notify MTS immediately in case of a breach of any of the undertakings in this Article 3.3, (iii) to pay all fees payable to MTS not later than the due date, (iv) to notify MTS, without delay, of any interruption to trading due to a software or hardware malfunction, or an interruption in connectivity and in such an event the affected Participant shall suspend all its Quotes where it reasonably believes it is exposed to a market risk as a result of the system malfunction or technical problem and (v) to respect and accept the outcome of checks by MTS referred to in Article 7.0 of these Rules;
- i) If requested by MTS, it will demonstrate at least once a year, its continuing satisfaction of the conditions for admission referred to in Article 3.1. MTS may require the presentation of any data, information or documents useful to this purpose, including certifications from auditing companies;

- j) it will maintain a trading relationship with a relevant clearing and settlement institutions either directly or via an agent in relation to the Financial Instruments available for trading on the Market.
- k) it will always effect or procure timely settlement of each of its Trades;
- l) it will keep confidential and will not to disclose in any way any information or data supplied to or derived from the Market (except in relation to a particular Participant, information relating to Orders and Quotes input by such Participant) save as may be required by a regulatory body or court having jurisdiction over it, or to its Group which have entered into a confidentiality agreement with MTS in a form approved by MTS.
- m) It will certify that each algorithm it deploys has been tested to avoid contributing to or causing disorderly trading conditions prior to the deployment or to a substantial update of a trading algorithm or trading strategy. Participants must confirm that they have successfully tested each algorithm within the MTS designated system and upon request by MTS, Participants must provide satisfactory evidence of the successful certification of the testing activities carried out and explain the means used for testing. Additionally, it has to ensure that the software used to access the Market has undergone the appropriate conformance testing with MTS when a) it introduces a new release or version or otherwise modifies any software previously conformed and/or b) it is requested by MTS.
- n) it will provide MTS, in the manner prescribed within the relevant Technical Specifications, all the data and information required by the Applicable Laws, including specific information required for each Order, Quote and Trade.
- o) For each Quote and Order placed, cancelled or varied it shall populate all necessary Quote message fields in a complete and accurate manner, including but not limited to information related to the identification of the relevant parties, and liquidity provision as specified in the Technical Specifications..
- p) It shall have appropriate controls in place to ensure that all relevant message field is accurately populated. Acceptance of a message by MTS does not provide or imply that MTS considers this requirement has been met. In the event a Participant discovers one or more fields are inaccurately populated the Participant must report this to MTS immediately and provide the correct information for every single Quote, Order and update thereto.
- q) Where applicable, it undertakes to collaborate in a cooperative and prompt manner with MTS in any request of data or clarification required by MTS in order for MTS to comply with Article 26(5) of Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014. In particular, the Participant undertakes full responsibility on the accuracy of the information provided both in terms of content and formatting that will be used by MTS to comply with the transaction reporting requirements in accordance with the above mentioned legislation and the Technical Specifications;
- r) it shall only use the data and information supplied to or derived from the Market for trading on the Market; further it shall ensure that no data or information supplied by or derived from the Market is allowed or technically able to be redistributed, internally or externally, save with the specific consent of MTS.

2. Each Market Maker undertakes to MTS to make Double-Sided Quotes on the Market in relation to all relevant Financial Instruments and to do so in compliance with the provisions in relation to Quoting Commitments in Article 4.10.

3.4 Resignation of Participants

1. Any Participant may resign from the relevant Market by giving not less than 3 months notice, via written communication and/or, when applicable, via the Membership Portal, to MTS specifying the date on which the Participant wishes to terminate its membership and access. Resignation from the Market shall have no effect on the rights and obligations of the resigning Participant in respect of Trades concluded on the Market prior to the effective date of such resignation. Membership Documentation includes additional relevant provisions on resignation and termination.

3.5 Suspension of Participants from trading

1. Without prejudice to the provisions under Section 7.0, if, in relation to a particular Participant, MTS determines that any of the following circumstances apply, or that there are reasonable grounds for presuming that any of the following circumstances apply, it shall suspend that Participant with immediate effect. A suspended Participant shall not be permitted to input Quotes or Orders on the Market. MTS may remove a suspension and reinstate a Participant if it is satisfied the circumstances which gave rise to the suspension no longer apply.
2. The aforementioned circumstances are:
 - a) the Participant ceases to meet one or more of the eligibility criteria applicable for entry on the relevant list of Participants, with the exception of the requirement to have and maintain Euro 10m Capital. In such a case the suspension will be applied if the Participant fails to provide MTS with proof of replenishment of Capital within three months from the relevant notification by MTS;
 - b) where the Participant has been suspended from operating or specifically from trading activities by a competent authority, or MTS has been instructed by such a competent authority to suspend the Participant from trading on the Market;
 - c) a request to suspend a Participant is received from a clearing or settlement agent through which the Participant clears or settles and to which the Participant has given authority to make such request;
 - d) a request to suspension a CCP Participant is received from the CCP which the Participant uses to clear Trades executed on the Market;
 - e) in the case of a CCP Participant, a notification is received from the CCP that the Participant and/or its General Clearing Member has been suspended as a CCP Member or an "Event of Default" (as such terms are defined in the respective CCP rules) has occurred or is likely to occur;

- f) where a Participant takes or is subject to an insolvency procedure among those listed in Regulation (EU) 848/2015 or any other insolvency procedure applicable to the Participant.
 - iv) makes a UK voluntary arrangement with its creditors or becomes subject to an administration order;
 - v) has a receiver appointed over any of its property or assets, or an encumbrancer takes possession;
 - vi) proceedings are initiated against it under any applicable liquidation, bankruptcy, insolvency, composition or other similar laws;
 - vii) an order is made or a resolution is passed for its winding-up or its dissolution;
 - viii) Participant takes or is subject to any action similar to that specified in points (i) to (iv) above in any jurisdiction.

MTS, with a motivated order, has considered that the suspension of the Participant is important in order to maintain an orderly market.

3. Notwithstanding paragraphs 1 and 2 above, MTS reserves the right, as a precautionary measure, to immediately suspend a Participant from trading where it reasonably suspects the Participant has committed a serious infraction or is in a state of suspected insolvency or is party to any other set of circumstances that threatens the correct and reliable functioning of the Market. The period of precautionary suspension shall be determined by MTS and included in its decision and communicated to the suspended Participant where permitted under Applicable Laws.
4. Any suspension of a Participant, or removal of a suspension, shall be notified by MTS to all other Participants by such means as MTS considers appropriate where permitted under Applicable Laws.
5. Suspension from a list of Participants shall have no effect on the rights and obligations of the Participant in respect of Trades concluded on the Market prior to the effectiveness of such suspension.

3.6 Exclusion of Participants from trading

1. Without prejudice to the provisions under Section 7.0, if MTS determines that any of the following circumstances apply to a Participant, it may delete that Participant from the relevant list of Participants with immediate effect.
2. The aforementioned circumstances are:
 - a) where a Participant has been suspended from trading for a period of 2 months; and
 - b) a resolution of MTS resolving that such Participant be deleted from the relevant list of Participants, e.g. if it is insolvent following the commencement of any of the insolvency proceedings set forth in the European Regulation no. 848/2015 or to other insolvency procedures in accordance with the laws applicable to the Participant.

3. MTS shall notify to all Participants of any deletion from a list of a Participant by such means as MTS considers appropriate, where permitted under Applicable Laws.
4. Deletion from a list of Participants shall have no effect on the rights and obligations of the Participant in respect of Trades concluded on the Market prior to the effective date of such deletion.

4. General Systems Operations

4.1 General systems operations

1. MTS shall adopt all acts necessary to ensure the proper functioning of the Market;
2. MTS shall determine the operational features of the trading protocol of the Market and may change it from time to time;
3. MTS shall monitor the operation of the Market and shall apply its policies in terms of risk controls, including orders' throttling and pre-trade controls;
4. MTS may, with a motivated order, for the purpose of maintaining orderly markets (the following list is not intended to be exhaustive):
 - a) at any time suspend the operation of all or part of the Market, including the suspension of single Financial Instruments or categories of the same, suspension of Participants and/or cancellation of Trades, if it determines that normal market conditions do not apply;
 - b) postpone the start of trading for the Market or any part thereof or extend the Trading Hours for the purpose of improving the functioning of the Market; and
 - c) temporarily suspend trading for the Market or any part thereof, in the case of a serious technical malfunction or other exceptional circumstances.
5. In the event that a Participant fails to comply with the obligations of safeguarding passwords or other security credentials or it allows unauthorised access to the Market, the Participant shall be responsible for all liabilities, damages and costs resulting from such breach. It will also indemnify and hold harmless any other Participant, MTS and/or the service providers for all liabilities, damages and costs they may suffer due to such failure or unauthorized access;

4.2 Types of Contracts

1. MTS shall determine the types of contract by means of which each Financial Instrument may be traded on the relevant Market by Participants. Only the types of Trades conforming to normal market practice (as determined by MTS) may be traded on the relevant Market.

2. The types of contracts available on the Markets are purchase and sale of Financial Instruments.

4.3 Market trading hours

1. Trading Days on the Market are defined by the TARGET calendar.
2. The Trading Hours (CET) of the Market are:

7.30 – 8.00CET: “Pre-Market phase” ,	during this time period Market Makers and Liquidity Providers only can insert, change and view their own Quotes.
8.00 – 8.15CET: “Offer phase” ,	during which all Participants can send Orders, on the basis of the user profile assigned to them. During this time period the automatic matching of Quotes is not active.
8.15 – 17.30CET: “Open Market phase” ,	during which all Participants can operate on the basis of the user profile assigned to them. The automatic matching of Quotes is active until the market closes.
17.30 – 7.30CET: “Closed Market phase” ,	during this period, Participants can only send and receive messages, examine statistics concerning the day’s negotiations; receive reports, lists and indices.

4.4 Quotes and Orders

1. Market Makers and Liquidity Providers can enter Quotes and Orders on the Market. Price Takers may enter only Orders and Single-Side Quotes on the Market;
2. Orders and Quotes can only be entered only in sizes equal or multiple of the minimum sizes indicated in the Regulatory Specifications.
3. The Market supports the following types of Quotes:
 - a) Double-Sided Quotes
 - b) Single-Sided Quotes
4. Market Makers, Liquidity Providers and Price Takers on Single Sided Quotes, may submit Quotes with either a visible size only or, when MTS chooses to make the hidden size functionality available (as set out in the Market pages), a combination of a visible and a hidden size.

5. The Market supports the following types of Orders:
 - a) Fill-and-kill Order: an Order which attempts to aggress Quotes, subject to the Order's Limit Price, up to the quantity specified by the Participant, with any residual quantity associated with the Order being cancelled.
 - b) Fill-or-kill Order: an Order which attempts to aggress Quotes, subject to the Order's Limit Price, for the full quantity specified by the Participant. The Order is cancelled without any Trade when it does not aggress Quotes for the full quantity specified by the Participant.
 - c) Mid-Price Fill-and-store Order: an Order which attempts to aggress Orders in the Mid-Price order book, subject to the Order's Limit Price, up to the quantity specified by the Participant, The Order remains on the Mid-Price order book when it fails to aggress Quotes for the full quantity specified by the Participant.
 - d) Mid-Price Fill-or-kill Order: an Order which attempts to aggress Orders in the Mid-Price order book, subject to the Order's Limit Price, for the full quantity specified by the Participant. The Order is cancelled without any Trade when it does not aggress Orders for the full quantity specified by the Participant.
6. Quotes and Orders may be modified at any time, but a Participant is obliged to settle all Trades, at the Price quoted and up to the quantity offered, for those Orders which have been confirmed prior to reception of such modification;
7. Quotes and Orders relating to each Financial Instrument are ordered by the Market according to 'Best Price' and, subordinate to that, according to time of entry.
8. At the end of each Trading Day, Quotes and Orders still registered on the Market shall be automatically cancelled.

4.5 Trades

1. Orders shall specify the quantity and the Limit Price. An Order may be executed automatically by the Market up to and including the Limit Price. The Quotes and Orders are matched by the Market until the desired quantity is reached according to a price/time algorithm as follows:
 - a) The Quotes(s) at the Best Price, subject to satisfying the Order Limit Price, is(are) selected;
 - b) Should there be more than one Quote at the Best Price, then the matching occurs according to the time when the Quotes entered into the Market, with the earliest taking precedence;
 - c) If applying the above mentioned criteria the entire quantity of the Order is not fulfilled, then the closest price to the "Best Price" is updated and the algorithm is repeated until the Order is fulfilled.

2. The provisions contained in the preceding section are also to be applied for the conclusion of Trades by the matching of two Quotes.

4.6 Conclusion and registration of Trades

1. Trades are concluded either by an Order aggressing a Quote or by a Quote aggressing another Quote, according to procedures laid down in Article 4.5. The Trade shall be deemed to be concluded at the time when an electronic confirmation of the relevant matching is sent to either party to the Trade.
2. If Quotes and Orders matching on the Market, are submitted by two CCP Participants using the CCP services on a CCP Financial Instrument, the execution of the Trade shall be automatic, subject to the registration of the Trade by the CCP, if the applicable CCP regulations provide that the novation of the relevant Trade shall take place upon the registration of the Trade by the CCP.
3. Subject to meeting the Minimum Quote Size requirement, a Quote that has been partially aggressed shall be considered an effective Quote for the residual portion, retaining the time priority originally assigned to it as provided in Article 4.5.
4. All Trades concluded on the Market shall be registered by MTS in a special electronic file in which the data regarding the Trades executed on the Market are registered as soon as reasonably practicable. Each separate Trade shall have an identification number and shall include:
 - a) the contracting parties including, if applicable, the identity of the Central Counterparty which is the party to the CCP Trade if applicable;
 - b) type, object and time and date of conclusion of the Trade;
 - c) quantity and Price.
5. CCP Trades are anonymous

4.7 Mid-Price crossing

1. Where the functionality is active on the Market, Participants can submit Orders to the Mid-Price calculated in real time using:
 - i) the prevailing Bid-Ask Spread present in the Market, where certain conditions, as determined by MTS, are satisfied, these may include:
 - a) an appropriate level of market depth; and
 - b) a Bid-Ask Spread is available in a certain Financial Instrument.

or

- ii) the quotes published on BondVision Europe MTF or BondVision UK MTF (cd. BondVision mid-price).

The Regulatory Specifications indicate the Instrument Classes where the functionality is active, and the calculation method applied to each Financial Instrument or to each Instrument Class.

1. Mid-Price Orders will be subject to a Minimum Mid-Price Execution Size, which is set by MTS and set out in the Regulatory Specifications. The Minimum Mid-Price Execution Size is set to at least the same level of the relevant pre-trade Large in Scale threshold for those Financial Instruments that are defined as Liquid from time to time by ESMA. For Financial Instruments which are defined as Illiquid from time to time by ESMA, the Minimum Mid-Price Execution Size will be set out in the Regulatory Specifications.
2. Participants may enter Mid-Price Orders with a higher execution size than the Minimum Mid-Price Execution Size, but not of a lower size.
3. MTS will monitor all updates to ESMA Large in Scale thresholds and Liquidity status and update its Financial Instrument database accordingly.

4.8 Trade Registration facility

1. Participants shall not pre-agree transactions except in accordance with this section of the Rules. A bilaterally negotiated Trade is considered a Trade concluded on the Market, if the counterparties have agreed for such Trade to be concluded under these Rules and such Trade is also reported to, and accepted by, MTS. The acceptance of a Trade Registration is subject to a minimum trading size for each Trade Registration as defined and reported by MTS in the Regulatory Specifications. The minimum trading size for each Trade Registration shall be defined at least equal to the threshold pre-trading of Large in Scale relevant for those Financial Instruments classified liquid from time to time by ESMA. For those Financial Instruments that are classified not liquid from time to time by ESMA, the minimum trading size for Trade Registration shall be defined by MTS and reported in the Regulatory Specifications.
2. This functionality allows two Participants to register bespoke trades on venue that are either:
 - a) "From Scratch", independently proposed and agreed directly by both Participants, usually over the phone, and then registered as a Trade on the Market; or
 - b) "From Best", as a bilateral negotiation tool allowing the sender to request a customisation (size and/or Price) of the best quote present in the order book. On receipt of a "From Best" Trade Registration request the Participant who owns the best quote has the choice to accept or reject the request or to counter bilaterally with different terms. Upon acceptance by both Participants a Trade is registered on the Market.

3. MTS will only consider information entered into the Market by Participants, and not any details discussed or agreed outside the Market.
4. It is recommended that a bilaterally negotiated Trade is reported by Participants to MTS within fifteen (15) minutes or the different timeframe that might be set by MTS from time to time. Participants that are party to a bilaterally negotiated Trade must record the time of the verbal or written agreement of the terms of the bilaterally negotiated Trade. This may be requested by MTS from time to time to evidence the timely submission of the bilaterally negotiated Trades.

4.9 Major Market Incident

1. For the purposes of these Rules, Major Market Incident ("MMI") means one of the following events taking place on the Market:
 - a) the improper functioning of the System so that all or a significant number of Participants is unable to trade in a secure manner without being exposed to material market risks (i.e., if they cannot determine their positions with certainty, may not submit Quotes, are unable to see the list of best Prices or see wrong Prices in the Best Page, or are unable to perform, in whole or in part, the market making activity);
 - b) the security or integrity of the System is compromised or subject to an imminent risk, or MTS is unable to see or control the Market using standard measures.
2. The occurrence of a MMI is identified by MTS. The duration of a MMI shall run from the time when the first impact on the system occurred and shall last until MTS determines that the normal conditions of the System have been restored. In the event of a MMI, MTS shall take the most appropriate measures, including the suspension of the Market or segments thereof.
3. MTS shall inform the Participants and the supervisory authorities in a timely manner of the occurrence of a MMI and shall specify the time of the commencement and end thereof

4.10 Cancellation of Trades

1. Cancellation of erroneous Trades shall be carried out by MTS on the basis of a written request to be sent via email to MTS at cancellations@mtsmarkets.com prior to the closing of the Market or immediately afterwards. Participants shall make sure that only properly authorized employees send the relevant request to MTS and therefore MTS shall not be liable for actioning any non-authorized requests.
2. Upon receipt of the communication, MTS will promptly contact the counterparty to the relevant trade regarding the requested cancellation:
 - a) If the counterparty promptly confirms its agreement to such cancellation request, the request shall be treated as a bilateral cancellation request and shall be executed

by MTS. A bilateral cancellation can be carried out up until the closing of the Market or immediately thereafter.

- b) In the event that the other counterparty does not respond promptly or does not agree with the Trade cancellation request, in order to proceed with the cancellation MTS will ascertain whether a unilateral cancellation can be performed. A unilateral cancellation procedure can only be started if the relevant cancellation request has been notified to MTS within 5 minutes from the execution of the relevant Trade.
- c) In order to qualify for unilateral cancellation a Trade must be proved beyond doubt to deviate considerably from the Fair Market Value of the security in question at the time of execution.
- d) To ascertain the Fair Market Value, MTS shall apply the following formula:

$$BV \text{ Mid } +/- [(Average \text{ of best bid-offer spread over } n \text{ days detected on the Market}) * (\text{cancellation factor})]/2$$

where:

BV Mid is the mid price resulting from the prices quoted in the BondVision Market, Cash Segment for the Security, recorded at the time of conclusion of the Trade being cancelled;

MTS shall indicate in the Regulatory Specifications the number of days over which it calculates the Average of the best bid-offer Spread detected on the Market and the cancellation factor.

- e) Where the BV Mid referred to in point d) above is not available, MTS shall apply the following procedure:
 - i) MTS shall ascertain the bid-offer Fair Market Value of the security in question by immediately requesting up to five (5), but in any case, not less than three (3), firm two-way inter-dealer electronic quotes at the time of execution of the Trade.
 - ii) The five banks consulted are chosen from a pre-defined list and exclude either party of the disputed transaction (the "Selected Participants").
 - iii) The Selected Participants shall respond as soon as possible by return email with their current Bid-Ask Spread, i.e. the two way electronic "inter-dealer" quotes they input or would have input in any inter-dealer electronic market.
 - iv) MTS will discard the Quotes containing the highest and the lowest bid and the Quotes containing the highest and the lowest offer and will calculate, truncating the result to the third decimal and then rounding up to the second one, the average of the remaining bid prices and the average of the remaining ask prices which will determine the Fair Market Values.
 - v) Once Fair Market Values are ascertained, MTS will calculate the relevant spread (average Bid-Ask Spread).
 - vi) The Trade price in question will be considered to deviate from the bid-offer Fair Market Value if it is more than 50% wider than the average Bid-Ask Spread which was calculated.

- f) If the Trade was executed at a price that is inconsistent with the financial instrument's Fair Market Value based on the criteria listed in points d) or e) above, MTS shall perform the unilateral cancellation of the Trade in question in order to maintain a fair and orderly Market and avoid the unfair penalisation of participants for genuine errors.
 - g) MTS will inform the counterparties to the Trade in question via telephone (with confirmation via e-mail) of its decision regarding the cancellation request within 35 minutes from the time of conclusion of the erroneous Trade.
 - h) MTS is entitled to reveal the identities in order to resolve the Trade dispute, if deemed useful to resolve the Trade dispute.
 - i) In exceptional circumstances, to be determined by MTS, and upon a written request, sent via email to MTS by both counterparties to the relevant Trade, in case a Trade has been executed at Price not in line with the current market value, MTS can proceed to amend the Price of the relevant Trade.
3. In the event of a Major Market Incident ("MMI"), MTS shall cancel the Trades affected by such MMI. In connection with such cancellation, MTS shall also be entitled to take into account Trades entered into outside of the MMI period but affected by the market malfunctioning; and shall also be entitled to determine that Trades entered into during the MMI period have remained unaffected by such MMI. MTS may at its discretion consult the Participant whose Trades have been or may be affected by an MMI. The parties of the Trades subject to cancellation shall be notified within the close of the trading day, unless force majeure prevents such notification.
 4. MTS shall on its initiative cancel Trades or correct data transmitted in accordance with the Rules relating to Financial Instruments whose issuance has been announced by the issuer and which have not been issued.

4.11 Market Making Agreements

1. Only Market Makers are subject to this Section of the Rules which constitutes the market making agreement between each Market Maker and MTS. If a Participant intends to pursue a Market Making Strategy on the Market it must enter into a market making agreement with MTS by means of notifying MTS of its Market Maker role on the relevant Instrument Class using the appropriate form. For the avoidance of doubt, a Participant is not allowed to pursue a Market Making Strategy on Financial Instruments belonging to an Instrument Class where it is not classified as a Market Maker.
2. A Market Making Strategy can be pursued only in relation to Financial Instruments which belong to an Instrument Class on which the Participant has indicated to MTS their intention to perform a Market Making Strategy. Each month, MTS will identify the Financial Instruments on which a Participant has performed a Market Making Strategy within the relevant Instrument Class.
3. Each Market Maker shall comply with the Market Making Commitments for each Financial Instrument on which it performs a Market Making Strategy, as described here below and as further specified in the Regulatory Specifications:

- a) For quotes to be of comparable size, there must be no more than 50% difference between bid and ask sizes;
 - b) For quotes to be competitive in terms of price, they must be within the maximum bid-offer spread defined by MTS in the Regulatory Specifications; and
 - c) The two-way Quotes must be available for trading on the Market for at least 50% of daily trading hours.
4. MTS will monitor each Market Maker on each Financial Instrument on which it performs a Market Making Strategy against the above-mentioned Market Making Commitments. For the purposes of monitoring the Market Making Commitments, only double sided Quotes will be considered. Additionally and for each Instrument Class, MTS will determine a minimum number of Financial Instruments on which Participants will be expected to perform a Market Making Strategy and therefore comply with Market Making Commitments. MTS will define the aforementioned minimum number of Financial Instruments in the Regulatory Specifications. If the Market Maker has pursued a Market Making Strategy on any Financial Instrument within the Instrument Class it has to comply with the Market Making Commitments described on point a,b,c, above.
 5. The performance of a Market Maker will be measured at the end of each month, on the basis of the daily performance on each Financial Instruments on which he has performed a Market Making Strategy. The monthly compliance with the Market Making Commitments will then be calculated on every single Financial Instruments on which it has performed a Market Making Strategy within the same Instrument Class and therefore evaluated on an Instrument Class basis
 6. Market Makers will be exempted from their Market Making Commitments in the event of exceptional circumstances as defined in Article 3 of the Commission Delegated Regulation (EU) 2017/578 of 13 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments with regard to regulatory technical standards specifying the requirements on Market Making Agreements and scheme. Without limitation to the generality of the foregoing, exceptional circumstances are: excess volatility, war, industrial action, civil unrest, cyber sabotage, technological issues on the venue or the Market Maker, risk management issues and short selling bans. In case of an exceptional circumstance, and the subsequent resumption of trading, MTS shall endeavour to inform the public via its website. The Market Maker is not under the obligation to comply with the Market Making Commitments provided herein in those days which are bank holidays in the country where the Market Maker carries out its business. MTS shall be informed by the Market Maker as soon as reasonably practicable of any trading interruption due to the malfunctioning of the electronic connection.
 7. A Market Maker shall have adequate systems and procedures in place to effectively monitor and audit their compliance with the Market Making Commitments. A Market Maker shall maintain records of firm Quotes and transactions relating to their market making activities, which are clearly distinguished from other trading activities and shall make those records available to MTS and the competent authority, upon request. A

Market Maker shall flag firm quotes submitted to the Market under this market making agreement in order to distinguish those quotes from other order flows.

8. Should MTS decide to offer a Market Making Scheme (as it is defined by the applicable Italian legislation), it shall publish on its Website the terms of the Market Making Scheme, the names of the Market Makers benefitting from such Schemes and the Financial Instruments or Instruments Classes covered by the relevant Scheme. Market Making Scheme has the meaning provided in the Applicable Laws.
9. When Market Maker is in breach of the Market Making Commitment for three (3) consecutive months, MTS reserves the right to issue such Market Maker with a written notice of the breach asking for strict compliance with the Market Making Agreement and an explanation of the reasons behind the breach. Following receipt of the above notification, where the Market Maker in question fails to honour its Quoting Commitments for three (3) additional consecutive months, MTS shall have the right a) to delete the Market Maker from the list of Market Makers and/or b) to initiate the disciplinary procedure as per Section 7 here below. Any Participant so cancelled from the list of Market Makers shall be allowed to trade on the Market as either Liquidity Provider or Price Taker.
10. Market Makers should inform MTS as soon as possible of their intention not to continue to be Market Maker on the Market. This communication shall be received by MTS at least fifteen (15) full trading day before the day the Participant will not be a Market Maker any longer. The Participant will cease to be a Market Maker on the first trading day of the month following the one in which the communication was sent.

4.12 Law governing Trades

1. Subject to the provisions of these Rules, or market practice as such practice shall be determined by MTS, Italian Laws shall be the laws governing all Trades concluded on the Market.

5. Clearing and Settlement of Trades

5.1 Clearing and Settlement of Trades

1. Clearing and settlement will take place in accordance with the procedures and regulations set forth by the relevant Central Counterparty or settlement institutions, as the case might be. The settlement cycle will follow the market practice for the relevant Financial Instrument. Financial Instruments traded in the grey market will be settled on the date of first settlement as determined in the relevant issue conditions.
2. Participants agree to give MTS the right to transmit settlement instructions on their behalf to the settlement institutions or the Central Counterparty, as the case might be, as specified in the Regulatory Specifications.

3. Trades not settled within the day established by the rules of the relevant Central Counterparty shall be subject to the buy-in and sell-out procedures defined within said rules.
4. Participant will authorise the relevant settlement/clearing institution to settle/clear instructions sent by the Market by executing the relevant documentation – arranged by the chosen settlement/clearing institution – in favour of MTS. Alternatively, a Participant may make use of a settlement or clearing agent: in this latter case, the settlement or clearing agent will be requested to sign the documentation requested by the chosen settlement/clearing institution.

5.2 Clearing and Settlement institutions

1. Available clearing and settlement institutions are indicated in the Regulatory Specifications.

6. Provision of Data and Information to Participants

6.1 Provision of data and information to Participants

1. For each Financial Instrument, MTS makes available on the trading screen to each Participant, as close to real time as reasonably possible, the following information:
 - a) all the Quotes which the relevant Participant has inputted in the Market, with Price and quantity;
 - b) Price and quantity of the aggregated five best sell and buy Quotes and prices for the purposes of article 4.7;
 - c) Price, quantity, and time of the last concluded Trade;
 - d) the current status of all the Quotes entered by the relevant Participant and the list of all the Trades it has executed.
2. MTS may also provide to each Participant statistics for each Financial Instrument containing the following information:
 - a) within the course of each Trading Day and at market close: identification code and description of the Financial Instrument, the minimum, maximum and weighted average Price, and traded volumes, calculated based on Trades executed during the same Trading Day;
 - b) at the opening of each Trading Day: Identification code and description of the Financial Instrument, the minimum, maximum and weighted average Price, and traded volumes, calculated based on Trades executed during previous Trading Day.

- c) All information made available within such statistics on the trading screen to a Participant pertaining to other Participants shall be in anonymous form. With reference to the Trades executed through the Mid-price and Trade Registration functionalities, MTS may decide not to supply to the Participants any of the information set forth in this article.
3. MTS may delay publication of the information referred to in the preceding paragraphs in the event of technical malfunctions that make it impossible to establish the correct data and the information to be published.
4. MTS makes available to Participants, on the trading screen, the following information, updated daily:
 - a) a complete table of the identification codes of each Financial Instruments;
 - b) a list of all Participants, with identification codes.
5. MTS may, subject to regulatory approval, waive or defer the provision of certain data as described in section 6.4 herebelow.

6.2 Provision of data to Authorities

1. MTS shall supply to Consob (or any successor thereto) or other competent authorities, where required to by law, data and information on Orders and Trades, and in general on any Participant's activity, carried out on the Market and all other data, information, acts or documents as and when so requested by Consob or other competent authorities or required for MTS to comply with its obligations.

6.3 Provision of data to debt management offices

1. MTS may make available to the relevant debt management office, upon request, data and information related to the activities carried out by Participants on the Market in relation to the specific Financial Instruments issued by the requesting debt management office.

6.4 Provision of data to the public

1. MTS makes available to the public, as close to real time as possible and on a reasonable commercial basis, the following information for each Financial Instrument:
 - a) Price and quantity of the aggregated five best sell and buy Quotes;
 - b) At least Price, quantity, and time of the last concluded Trade.
2. MTS makes publicly available, with a fifteen minutes delay:
 - a) Price and quantity of the aggregated five best sell and buy Quotes;

- b) At least Price, quantity, and time of the last concluded Trade.
3. MTS, in accordance to the pre-trade transparency Waivers, but limited to the Mid-Price functionality and Trade Registration, shall derogate to the obligation of pre trade publication of certain data, when one of the following exceptions occurs:
 - a) the Financial Instrument is not liquid;
 - b) the quantity of the relevant order is for a size equal to or above the pre-trade Large in Scale threshold.
 4. MTS in accordance to the Deferral shall postpone the publication of certain post-trade data when one of the following exceptions occurs:
 - a) the Financial Instrument is not liquid;
 - b) the quantity Trade Registration is for a size equal to or above the post-trade Large in Scale threshold;
 - c) the quantity Trade Registration is for a size equal to or above the SSTI post-trade.
 5. MTS shall make available, in accordance with the Applicable Laws, on at least a quarterly basis a report containing data relating to the quality of execution of transactions occurred on the Market during the relevant period. The report shall include details about the price, speed, cost and likelihood of execution for individual Financial Instruments.
 6. If the determination of correct data and information to be published is rendered impossible or unreasonably burdensome due to exceptional market conditions, MTS shall immediately notify Consob. The distribution of data shall be resumed as soon as possible.

6.5 Amendments and communications

1. MTS can amend the Rules in accordance with the provision of the Terms and Conditions, as published from time to time on MTS website <http://mtsmarkets.com/Documents/General-Terms-and-Conditions>. The communication of such amendments will also follow the provision of the Terms and Conditions. . The Regulatory Specifications and the amendments thereof shall be resolved upon by the Board of Directors of MTS, or if urgent by decision of MTS Chief Executive Officer and communicated to the Participants as provided in this paragraph.
2. MTS from time to time will communicate to the Participants information necessary for their trading activity on the Market in accordance with the relevant provision of the Terms and Conditions. This includes also amendments to the information available on MTS website, referenced in these Rules, such as the Regulatory Specifications.

7. Monitoring the Course of Trading

7.1 Supervision of regular conduct of trading

1. MTS shall supervise the conduct of trading through a specific monitoring department and shall verify the compliance with these Rules. In addition, MTS shall adopt any measure that is required or appropriate to ensure the smooth operation of the Market.
2. MTS shall perform, inter alia, the following activities:
 - a) verification of compliance with the undertakings referred to in Article 3.3;
 - b) verify the performance of the commitments undertaken by the Market Makers. Should MTS require clarifications, the relevant Participant, shall provide such clarifications as soon as possible;
 - c) verify the proper updating of the databases, the procedures and whatever else is necessary to ensure fair and orderly trading;
 - d) monitor the functioning of the technical infrastructure and promptly inform the Participants with regard to any action that may affect the functioning of the Market;
 - e) for the purpose of verifying the compliance of the Participants with the operations requirements, MTS may conduct audits at the Participant's premises or at the premises of third parties entrusted by the Participant with the management of outsourced services;
 - f) request the Participants to provide, also on a periodical basis, relevant data, news and information, as well as to handle documents.
3. Without prejudice to any measure required in connection with the operation of the market or to any provision of these market Rules or of Applicable Laws, MTS shall keep confidential all information acquired in the course of its Market monitoring activities. MTS shall promptly inform the relevant Authority of the adoption of any of the above mentioned measures. In accordance with Applicable Laws, when requested by a competent authority, MTS will disclose or report the data and information requested. In the course of operating on the Market, each Participant will provide certain trade and transaction data (collectively, the "Participant Data") to MTS. Each Participant agrees that MTS is entitled to use, distribute and/or compile the Participant Data with that of other Participants, provided that such data does not directly or indirectly identify (i) the Participant as the source of such data or (ii) the Participant's trading strategy (the "Data"). All intellectual property rights in the Data shall belong to and vest solely with MTS, and the Participant agrees that MTS shall be entitled to dispose, use, licence or sell the Data as it determines in its sole discretion. Each Participant further agrees that MTS may disclose Participant Data to any third party as MTS determines is necessary to facilitate the management and usage of the Market.

7.2 Disciplinary measures

1. A Participant failing to comply with the obligations deriving directly or indirectly from the application of these Rules or otherwise failing to comply with the operational

procedures, shall be subject to the disciplinary measures set out below, taking into account the nature and the severity of the violation and any previous breaches by such Participant:

- a) a written censure;
 - b) a fine of between Euro 10,000 and Euro 500,000;
 - c) suspension from trading;
 - d) exclusion from the relevant list of Participants.
2. MTS shall apply the disciplinary measure in a non-discriminatory fashion. Without prejudice to MTS right to start the procedure described in this Section 7, breaches by Market Makers of their Market Making Commitments are dealt with in Article 4.11 above.
3. In order to adopt the measures referred to in the paragraph 1, MTS shall take the following criteria into account:
- a) the actual and potential impact on the Market and the external importance of the breach;
 - b) the size, duration and nature of the breach;
 - c) how MTS became aware of the violation;
 - d) the benefits accrued by the Participant from the breach;
 - e) the Participant reaction to MTS' requests and its actual and previous behaviour;
 - f) magnitude of fraud and negligence;
 - g) functioning of system used for internal control and prevention of violations;
 - h) numbers and magnitude of breaches previously committed by the same Participant;
 - i) size of the Participant and of the group it belongs to; and
 - j) the cases in which various provisions are breached or the same provision is breached more than once.
4. The use to which fines are put shall be established on a general basis by MTS in an ad hoc Board of Directors' resolution communicated to the relevant authorities.
5. A party which has been excluded from trading may be re-admitted to trading, subject to the filing of a new Application Form.
6. Where a measure of suspension or exclusion from trading is adopted, from the time such measure takes effect the market intermediary to which it is applied shall only be permitted, under the surveillance of MTS, to close out any positions still open and carry out any related transactions that are necessary to protect customers' interests, if any.

7.3 Procedure for verifying violations

1. In order to apply the measures referred to in Article 7.2 above, the procedure described in this article shall be initiated within one year of the presumed violation or of the later date on which MTS learned of the presumed violation. In the latter case the procedure described in this article may not be initiated after three years have elapsed from the date of the presumed violation.
2. For the purpose of applying the measure referred to in Article 7.2 MTS sends the relevant Participant a letter:
 - a) containing a description of the alleged breach;
 - b) setting a time limit of not less than 15 days within which a written brief may be submitted and possibly a request for a hearing in which to discuss the topic.
3. The letter referred to in paragraph 2 may indicate the measure MTS intends to apply. In such case, if the time limit referred to in paragraph 2(b) expires without the Participant having submitted a written brief or requested a hearing, MTS shall apply the measure indicated in the letter.
4. If the Participant requests a hearing in which to discuss the issue or if MTS considers such a hearing to be necessary, MTS shall establish the date for the hearing and inform the Participant accordingly. The market intermediary shall be represented in the meeting either by its legal representative or by a person appointed for the purpose, being allowed to be assisted by a lawyer of its choice. If the Participant fails to attend the hearing without due cause, MTS shall proceed on the basis of the evidence collected up to that time. At the end of the hearing, at the request of the interested party, MTS may set a new time limit of not less than 10 days for the submission of another written brief.
5. On the basis of the evidence collected as part of the procedure referred to in the preceding paragraphs, MTS shall decide within 45 days of the hearing or the subsequent expiry of the time limit for the submission of another written brief as provided for in paragraph 4, or if no such hearing is requested or scheduled by MTS, within 45 days of the expiry of the time limit set pursuant to paragraph 2(b).

Decisions adopted pursuant to the preceding paragraph shall be promptly communicated to the relevant party giving the reasons for the decision. If one of the measures referred to in Article 7.2 is applied, the costs of the procedure and in particular those in relation to the examination of the written briefs submitted and the hearings requested, including MTS internal costs, shall be charged to the Participant.
6. MTS shall promptly inform the relevant Italian authorities of the initiation of the procedure referred to in this article and of the related decisions

7.4 Review of measures

1. The Participant may ask for the review of the measures applied pursuant to Article 7.2 within 15 days of the communication of the relevant measure by means petition to the Appeals Board established pursuant to Article 7.5 below.
2. Applications of the measures referred to in Article 7.2 shall be made public via MTS Client Service Notices after 15 days have elapsed from the communication of the measure to the interested party without the question being referred to the Appeals Board or, where it has been so referred, after 10 days have elapsed from the communication of the Appeals Board's decision to the parties.
3. At the request of the Participant or of a relevant authority, the complete text of the measure shall be made public.

7.5 Appeals Board

1. The Appeals Board shall be composed of three standing members and two substitute members appointed by the Board of Directors of MTS, which shall also appoint one of the members to be the chairman. The seat of the Appeals Board shall be at MTS.
2. The members of the Appeals Board shall be chosen from among independent persons of proven expertise in matters concerning financial markets.
3. The appointment shall be for three years and may be renewed. Where one of the members vacates the position before the termination of the appointment, the Board of Directors of MTS shall appoint a substitute; such appointment shall last until the termination of the appointments of the other members of the Appeals Board.
4. The decisions of the Appeals Board shall be adopted in accordance with law allowing debate within 30 days of the date of the petition for review and shall be promptly notified to the parties. The language of the proceedings shall be the English language.
5. In agreement with the other members of the Appeal Board, the chairman may assign a question to a single member of the Appeal Board.
6. The decisions of the Appeals Board shall not be binding on the parties and where one of the parties initiates arbitration, they shall not be binding on the arbitrators, who shall have the broadest prerogatives and powers to re-examine the entire dispute without any preclusion.
7. The fees of the members of the Appeals Board shall be borne by the losing party.

7.6 Board of Arbitration

1. Any disputes arising out or relating to these Rules or other provisions governing the operation of the Market, shall be settled by a Board of Arbitration appointed in accordance with this Article.
2. Completion of the procedure before the Appeals Board is a condition to the commencement of arbitration proceeding before the Arbitration Board.
3. The Board of Arbitration shall be composed of three members appointed as follows:
 - a) the party that initiates the arbitration procedure shall send an instrument to the other party in which it:
 - declares its intention of initiating the arbitration procedure;
 - indicates the subject of the case;
 - designates its arbitrator;
 - invites the other party to designate its arbitrator;
 - b) the party that receives the invitation referred to in subparagraph a) shall designate its arbitrator within 20 days of receiving the notice; in the event of its omitting to do so, the second paragraph of Article 810 of the Code of Civil Procedure shall apply;
 - c) the third arbitrator, who shall act as Chairman of the Board of Arbitration, shall be appointed consensually by the arbitrators referred to in subparagraphs a) and b); where they fail to agree within 20 days, the third arbitrator shall be appointed by the Chairman of the Milan Court.
4. The arbitration proceedings thus instituted shall be ritual and shall comply with the provisions of the Italian Code of Civil Procedure. The procedure must be initiated, to avoid debarment from action, within 90 days of the notification referred to in Article 7.4.2. The dispute shall be settled in accordance with the provisions of Italian law and the language of the arbitration proceedings shall be the Italian language.
5. The seat of the Board of Arbitration shall be in Milan or Rome, in the place designated by its Chairman.

8. Final Provisions

8.1 Final Provisions

1. MTS reserves the right to close the operation of the Market at any time in accordance with the relevant Applicable Laws. In this event, MTS shall give the Participants such notice of termination in writing as is reasonably practicable in the circumstances. Nevertheless, MTS shall be entitled to close the Market immediately on written notice

to Participants if MTS is not able to keep the Market open due to an event beyond MTS' reasonable control.

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