



# MTS ITALY

Regulated Wholesale Market of (Cash and Repo) Government Bonds

## Provisions (Cash Segment)

Effective as of January 3, 2018

Wholesale Regulated Market operated by MTS S.p.A



**London**  
Stock Exchange Group

# MTS Italy - Provisions

Effective as of 3 January 2018

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## MTS ITALY

### REGULATED WHOLESALE MARKET OF (CASH AND REPO)

### GOVERNMENT BONDS

### PROVISIONS

#### SECTION I

##### Art.1. Definitions (Art. 1 Rules)

1. The definitions set forth in article 1 of the Rules are hereby deemed to be included by reference in these Provisions.

##### Art. 2. Fees (Art. 2 Rules)

1. The fees payable by each Participant for the services provided by MTS shall be determined by MTS and are set in the Fee Schedule and shall be notified to the Participants in accordance with the Membership Documentation.

#### SECTION II

##### Art. 3. Cash Segment – Participant admission criteria (Art. 5.3 Rules)

1. Participants may use any of the providers of Settlement Services listed on the Regulatory Specifications. Participants will have to execute the relevant documentation – arranged by the chosen settlement institution – in favour of MTS, and if a Participant will make use of a settlement agent, it shall execute with such settlement agent a declaration in the form specified by MTS. In this latter case, the settlement agent will be requested to sign the documentation requested by the chosen settlement institution.
2. Participants may use any of the providers of Central Counterparty Services listed on the Regulatory Specifications. To use the Central Counterparty the Participant shall file with MTS the CCP application form specified by MTS.

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3. The net equity of Participants for supervisory purposes, in the absence of different specific regulatory provisions, shall be the "Tier 1" surveillance capital or equivalent in accordance with the capital adequacy regime of the country in which the Participant is subject to authorisation.
4. The contact person appointed for trading activity by the Participant will be required to interact with the MTS monitoring department. This contact person shall also appoint an appropriate substitute with similar qualifications to replace him/her in the event of his/her absence.

## Art. 4. Cash Segment - Participant's on-going undertakings (Art. 7.1.i Rules)

1. The existence of the conditions set forth in article 5 of the Rules shall be investigated at the time of the examination of the Application Form.
2. The continued existence of the admission conditions shall be verified on an annual basis and in any case no later than 6 months from the end of the financial year.
3. Compliance with the net equity requirement will be investigated by MTS with reference to the Participant's most recent audited financial statements, or, if more recent, the most recent supervisory report. A Participant that, on the basis of the most recently approved financial statements or the most recent supervisory report, whichever is more recent, has a net equity of less than 1.5 times the minimum net equity required for the admission to trading, may also be made subject to verifications at intervals of less than one year. In such case, the verification may be performed on the basis of specific balance sheet information prepared by applying the same criteria as those used in the preparation of the annual financial statements.
4. In the event that the Participant does not have net assets equal or equivalent to ten million Euro, based on the last audited financial statements, it shall recapitalise within three months and proof thereof shall be forwarded to MTS, by providing certification issued by an auditing company showing adequate asset levels; otherwise, MTS shall suspend the Participant from trading. The three-months period shall run from the date of the notification of the failure to comply with the net equity requirement, or, if more recent, the date in which MTS ascertains the failure to comply with such requirement. The relevant Participant shall promptly comply with the information requested by MTS during such period, and prior to the expiry thereof, shall provide evidence on its own initiative of the reinstatement of the minimum net equity required through a certification as indicated herein. MTS may establish that the Participant complies with the net equity requirement by obtaining a certificate from a public auditor enrolled in the register provided by the applicable laws. In the case of E.U. Participants, such certificate may be replaced by a similar certificate issued by a company

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authorised to conduct mandatory audits in the country of origin. Such Participant may request a suspension from trading which MTS shall immediately grant. Such suspension shall not affect the Participants' obligations as per these Rules and the Membership Documentation as a whole.

5. The verification of the continued existence of the organisational structure and of the internal procedures for the control of the trading activities that can be verified on the basis of specific requests of information and documentation by MTS, relating to the technological systems, organizational structure and risk management.
6. MTS may verify the compliance with the minimum activity requirement by requesting a self-certification to the Participant.
7. Should the documentation filed be incomplete, MTS will inform in writing the Participant inviting it to provide the necessary additional information and documentation. Until all the additional information or documentation requested has been filed with MTS, the term of 10 days for processing the application shall remain suspended.

## Art. 5. Cash Segment - Suspension from trading (Art. 9 Rules)

1. Acts performed with a view to distorting the correct formation of prices shall be deemed to be prejudicial to a fair and orderly market. This category of acts includes, without limitation, trading activities performed for the sole purpose of increasing traded volumes without taking significant financial exposure. In addition, acts or omissions which in any way hinder or prevent the due performance of obligations deriving from Trades executed on the Market shall also be deemed to be prejudicial, including, among others, the failure to deliver securities and cash within the set terms.
2. Upon the occurrence of acts or omissions described in paragraph 1 above, MTS shall request information from the Participants involved through the procedures established for such purpose, including, if it deems it appropriate, in accordance with Section IV of the Rules.

## Art. 6. Cash Segment - General System operations (Art. 11 Rules)

1. **Cash Segment**

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**7.30 - 8.00: Pre Market phase**, during which only Market Makers are operating. During this phase, Market Makers can issue and amend their Quotes. Market Makers may only view their own Quotes.

**8.00 - 8.15: Preliminary Market phase**, during which all Participants may operate on the basis of the user profile assigned to them. Automatic matching between Quotes is not operational during this phase.

**8.15 - 17.30: Open Market phase**, during which all Participants may operate on the basis of the user profile assigned to them. Automatic matching between Quotes is active until the closing of the Market.

**17.30 - 7.30: Closed Market phase**, during which no operations may be performed.

## Art. 7. Cash Segment – Conclusion and registration of Trades (Art. 15 Rules)

1. Trades are anonymous.
2. MTS shall maintain a specific electronic archive in which data relating to Trades concluded on the Market are recorded in real time. Each Trade shall be allocated an identification number which identifies:
  - a) the contracting parties;
  - b) type, object and time and date of conclusion of the Trade;
  - c) quantity and price.Authorised parties shall be entitled to consult the archive at any time.
3. Quotes and Orders can be put in the Systems only for a quantity equal or multiple of the minimum sizes identified in the Regulatory Specifications. .
4. Orders made in relation to contracts 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 Quote(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;

If applying the above mentioned criteria the entire quantity of the Order is not fulfilled, then the next closest price to the Best Price is updated and the algorithm is repeated until the Order is fulfilled.

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5. Trades are concluded either by an Order aggressing a Quote or by a Quote aggressing another Quote, according to procedures laid down in Article 7.4 above. 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.

## Art. 8. Cash Segment - Cancellation of Trades on the Cash Segment

1. Cancellation of erroneous Trades shall be carried out by MTS on the basis of a written request to be sent by email to MTS at [cancellations@mtsmarkets.com](mailto:cancellations@mtsmarkets.com) prior to the closing of the Market or immediately afterwards. Upon receipt of the communication MTS will promptly contact the Participant counterparties to the relevant trade regarding the requested cancellation.
2.
  - a) If the Participant 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) Ascertaining Fair Market Value
    - i. MTS shall ascertain the 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 quote for that instrument 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").

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- iii. The Selected Participants shall respond as soon as possible by return email with their current bid/offer spread, i.e. the two ways electronic "inter-dealer" quotes they input or would have input in any inter-dealer electronic market.
  - iv. MTS will discard the bid/offer couple containing the highest bid and the bid/offer couple containing 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. In case there are multiple couples with the same bid or the same offer, the couple with the tighter bid/offer spread will be deleted: if this spread is expressed by more than one couple, only one will be eliminated. In case the highest bid and the lowest offer are contained in the same couple, only this couple will be deleted.
  - v. Once Fair Market Values are ascertained, MTS will calculate the relevant spread (average bid/offer spread).
- e) The Trade price in question will be considered to deviate from the Fair Market Value if it is more than 50% wider than the average bid/offer spread which was calculated.
- More in details:
- Error sale** (i.e. cancellation request is made by the seller):  
The transaction will be cancelled when the trade price is lower than the bid Fair Market Value by more than 50% of the above defined spread at the time of the execution of the trade.
  - Error purchase** (i.e. cancellation request is made by the buyer)  
The transaction will be cancelled when the trade price is higher than the ask Fair Market Value by more than 50% of the above defined spread at the time of the execution of the trade.

*Example:*

Italian BTP 4.750 1 February 2013

The following Best bid-offer prices were on the best page – 107.15/110.25

Seller aggresses bid at 107.15 and then reports it as an error Trade (being an error sale).

Following a poll of five market participants, the five quotes are as follows:

- 108.60/109.60
- 108.50/109.65

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- 107.90/109.50
- 108.25/109.30
- 108.30/109.20

The couple with the highest bid and the couple with the lowest offer are thrown out which leaves the following:

108.50/109.65  
107.90/109.50  
108.25/109.30

The average bid price and the average offer price are calculated taking into account the three remaining bid and offer prices. The result is truncated to the third decimal and rounded to the second decimal:

Avg Bid=  $(108.50 + 107.90 + 108.25)/3 \Rightarrow 108.22$  truncated to the 3<sup>rd</sup> and rounded up to the 2<sup>nd</sup> decimal which determines the bid Fair Market Value

Avg Offer =  $(109.65 + 109.50 + 109.30)/3 \Rightarrow 109.48$  truncated to the 3<sup>rd</sup> and rounded up to the 2<sup>nd</sup> decimal which determines the offer Fair Market Value

Therefore the remaining values are:

108.22/109.48 that brings to an average bid/offer spread of 126 cts

The following bid and offer limits are obtained by applying the 50% deviation margin to the average bid/offer spread (126 cts): 107.59/110.11

The sale executed at 107.15 will be cancelled as the low parameter is 107.59 i.e. all sales < 107.59 may be cancelled should that be requested by the seller in the present example.

- f) If after following the above procedure, the reported Trade in question is proven to be off the Fair Market Value based on the criteria listed above, MTS performs the unilateral cancellation of the Trade in question in order to maintain a fair and orderly Market and avoid the unfair penalisation of members for genuine errors.



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- 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) In the event of transactions carried out on an anonymous basis between two counterparties which use the Central Counterparty Service, MTS is entitled to reveal the identities in order to resolve the Trade dispute, if deemed useful to resolve the Trade dispute.
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 Participants the Trades of which have or may be affected by a MMI.
- 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. 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 which relate to securities the issuance of which has been announced by the issuer and which have not been issued or where the volume of the issuance is significantly lower than announced.

## Art. 9. Cash Segment – Requirements for registration in the Market Makers' Register (Art. 20 Rules)

1. Compliance with the requirements for the registration in the Market Makers' Register shall be reviewed by MTS in accordance with the procedures set out in these Rules for Participants.
2. In the event that a Participant previously cancelled from the Market Makers' Register submits an application for the re-registration in such Register, MTS shall evaluate the grounds for such cancellation and their severity on a case by case basis and shall base its decision on whether to allow the re-registration of such Participant in such Register.

**Comment [FR1]:** Market makers Commitments still need to be defined. For the time being please ignore the part below.

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## Art. 10 Cash Segment – Market Makers' Commitments (Art. 21 Rules)

1. MTS shall make available on its website to each Market Maker, in dedicated password protected areas, the list of Financial Instruments allocate to the Market Maker. Market Makers are not entitled to ask for information about the Financial Instruments allocated to other Market Makers.
2. The Market Makers' compliance with its Market Makers' Commitments will be measured according to the two following criteria:
  - The daily average bid / ask quoted spread quoted by means of double-sided Quotes, calculated by weighting each single spread for the relevant time length of quotation will be compared with the average (plus a standard deviation) of the spreads quoted by the other Market Makers, to whom the same Financial Instrument has been assigned, and will be deemed valid for the purpose of the evaluation of commitments if inferior or equal to such level.
  - The time length of quotation on the Market by means of double-sided Quotes, will be compared with the average (minus a standard deviation) time length of quotation of the other Market Makers, to whom the same financial instrument has been assigned and will be deemed valid for the purpose of the evaluation of commitments if superior or equal to such level, but in any case never less than three hours.
2. For each listed Financial Instrument the compliance, expressed in percentage points shall be equal to 100% if both parameters are met, 50% if only one parameter is met, and 0% if no parameter is met. The total daily result shall be the average of the results obtained on each single Financial Instrument. The monthly total result shall be the average of the daily results.
3. The Market Maker is not compliant when the following conditions apply:
  - it falls within the lower 10% of the monthly compliance ranking and, in any case, has a monthly compliance below 60%, and
  - it falls within the lower 10% of the monthly total market volume ranking.
4. MTS shall make available on a daily basis to each Market Maker, in dedicated areas password protected, the relevant spread and average quotation time for each Financial Instrument together with the spread and Market average quotation time.

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5. The Market Maker is not under the obligation to comply with the quoting commitments provided herein and in article 30 of the Rules in those days which are bank holidays in the country where the Market Maker carries out its business.
6. Where a Market Maker fails to honour its Market Makers' Commitments for three (3) consecutive months, MTS could issue such Market Maker with a written notice of the failure asking for the strict compliance of the quoting commitments.
7. Following receipt of the above notification, where the Market Maker in question fails to honour its Quoting Commitments for three (3) consecutive months on a second occasion, MTS shall have the right to cancel the Market Maker from the Market Makers' Register. The participant so cancelled from the Market Makers' Register shall be allowed to Trade on the System as Price Taker.
8. In the event paragraph 7 above applies with reference to a Market Maker who is a Government Bond Specialist in accordance with the Ministerial Decree n. 216 of December 22, 2009, MTS will inform the Economy and Finance Ministry and the decision, if any, on the cancellation from the Market Makers' Register shall be taken after having heard the same Ministry.
9. Market Makers shall have quoting commitments on all the following Categories of Financial Instruments: BTP, BTi, CTZ, and CCT.

## Art. 11. Cash Segment – Settlement and Central Counterparty Services (Art. 23 Rules)

1. MTS shall provide the data required for the settlement of the Trades concluded in the Cash Segment to the Central Counterparty Service providers indicated in the Regulatory Specifications.
2. Trades guaranteed by Central Counterparty and not settled within the day established by the rules of the relevant Central Counterparties shall be subject to the buy-in and sell-out procedures defined within said rules.
3. Settlement of Cash Trades shall take place on the second business day following the conclusion of the relevant Trade.

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## Art. 12. Cash Segment - Information to be provided to Participants (Art. 24 Rules)

1. The minimum, maximum and average weighted price as well as the Traded volume of each Financial Instrument shall be calculated based on the Trades concluded during the current hour and on the Trades concluded in the previous hours thereto. The calculation shall be made every five minutes.
2. With reference to the Trades executed through the Mid-price and Trade Registration functionalities, MTS may decide not to supply any of the information set forth in Art. 25.2 of the Rules.

## Art. 13. Cash Segment - Provisions of data to the public (Art. 26.3 Rules)

2. The list referred to in article 27.4 of the Rules shall be prepared at the close of each trading day (reference date) and shall be divided into sections.
3. With respect to Cash Segment Trades, the bulletin shall include for each traded Financial Instrument:
  - a) the identification code;
  - b) the description;
  - c) the minimum price;
  - d) the maximum price;
  - e) the average weighted price;
  - f) the last trading price;
  - g) the traded volume.

For certain Financial Instruments, the list may also set forth the yield corresponding to the price.

4. The information described in the paragraphs above is provided on the basis of all Trades concluded on Market on the reference date, provided however that cancelled Trades and Trades concluded at prices which are obviously incoherent with Market movements, as determined by MTS, shall not be included.

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## SECTION III

### Art. 14. Repo Segment – Participants’ admission criteria (Art. 30 Rules)

1. Participants may use any of the providers of Settlement Services listed on the Regulatory Specifications. In case of automatic settlement, Participants will have to execute the relevant documentation – arranged by the chosen settlement institution – in favour of MTS, and if a Participant will make use of a settlement agent, it shall execute with such settlement agent a declaration in the form specified by MTS. In this latter case, the settlement agent will be requested to sign the documentation requested by the chosen settlement institution.
2. Participants may use any of the providers of Central Counterparty Services listed on the Regulatory Specifications. To use the Central Counterparty the Participant shall file with MTS the CCP application form specified by MTS.
3. In the absence of specific instructions by the regulatory entities, the net equity of Participants for supervisory purposes shall be the “Tier 1” surveillance capital or equivalent in accordance with the capital adequacy regime of the country in which the Participant is subject to surveillance.
4. The contact person appointed for trading activity by the Participant will be required to interact with the MTS monitoring department. This contact person shall also appoint an appropriate substitute with similar qualifications to replace him/her in the event of his/her absence.

### Art. 15. Repo Segment - Participants’ on-going undertakings (Art. 32)

1. The existence of the conditions set forth in article 5 of the Rules shall be investigated at the time of the examination of the Application Form.
2. The continued existence of the admission conditions shall be verified on an annual basis and in any case no later than 6 months from the end of the financial year.
3. Compliance with the net equity requirement will be investigated by MTS with reference to the Participant’s most recent audited financial statements, or, if more recent, the most recent supervisory report. A Participant that, on the basis of the most recently approved financial statements or the most recent supervisory report, whichever is more recent, has a net equity of less than 1.5 times the minimum net equity required for the admission to trading, may also be made subject to verifications at intervals of less than one year. In such

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case, the verification may be performed on the basis of specific balance sheet information prepared by applying the same criteria as those used in the preparation of the annual financial statements.

4. In the event that the Participant does not have net assets equal or equivalent to ten million Euro, based on the last audited financial statements, it shall recapitalise within three months and proof thereof shall be forwarded to MTS, by providing certification issued by an auditing company showing adequate asset levels; otherwise, MTS shall suspend the Participant from trading. The three-months period shall run from the date of the notification of the failure to comply with the net equity requirement, or, if more recent, the date in which MTS ascertains the failure to comply with such requirement. The relevant Participant shall promptly comply with the information requested by MTS during such period, and prior to the expiry thereof, shall provide evidence on its own initiative of the reinstatement of the minimum net equity required through a certification as indicated herein. MTS may establish that the Participant complies with the net equity requirement by obtaining a certificate from a public auditor enrolled in the register provided by the applicable laws. In the case of E.U. Participants, such certificate may be replaced by a similar certificate issued by a company authorised to conduct mandatory audits in the country of origin. Such Participant may request a suspension from trading which MTS shall immediately grant. Such suspension shall not affect the Participants' obligations as per these Rules and the Membership Documentation as a whole.
5. The verification of the continued existence of the organisational structure and of the internal procedures for the control of the trading activities that can be verified on the basis of specific requests of information and documentation by MTS, relating to the technological systems, organizational structure and risk management.
6. Should the documentation filed be incomplete, MTS will inform in writing the Participant inviting it to provide the necessary additional information and documentation. Until all the additional information or documentation requested has been filed with MTS, the term of 10 days for processing the application shall remain suspended.

## Art. 16. Repo Segment – Suspension from trading (Art. 34 Rules)

1. Acts performed with a view to distorting the correct formation of prices shall be deemed to be prejudicial to a fair and orderly market. This category of acts includes, without limitation, trading activities performed for the sole purpose of increasing market shares without taking significant financial exposure. In addition, acts or omissions which in any way hinder or prevent the due performance of obligations deriving from Trades

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executed on the Market shall also be deemed to be prejudicial, including, among others, the failure to deliver securities and cash within the set terms.

2. Upon the occurrence of acts or omissions described in paragraph 1 above, MTS shall request information from the Participants involved through the procedures established for such purpose, including, if it deems it appropriate, in accordance with Section IV of the Rules.

## Art. 17. Repo Segment – General system operations (Art. 36 Rules)

### Repo Segment

**7.00 – 7.45: Pre-Market** phase, during which Quotes may be submitted, modified and cancelled. Each Participant has only access to its own Quotes.

**7.45 - 18.45: Open Market** phase, during which all Market operations may be conducted. Different trading hours can be established by MTS with respect to different Categories of Financial Instruments.

**18.45 - 7.00: Closed Market** phase, during which no operations may be performed.

Different closing hours can be established by MTS with respect to different Categories of Financial Instruments.

The above times are in Central European Time.

## Art. 18. Repo Segment – Conclusion and registration of Trades (Art. 41 Rules)

1. Trades are anonymous in the case of CCP cleared trades executed via the Order Book or RFQ.
2. MTS shall maintain a specific electronic archive in which data relating to Trades concluded on the Market are recorded in real time. Each Trade shall be allocated an identification number which identifies:
  - a) the contracting parties;
  - b) type, object and time and date of conclusion of the Trade;
  - c) quantity and price.Authorised parties shall be entitled to consult the archive at any time.
3. Quotes and Orders can be put in the Systems only for a quantity equal or multiple of the minimum sizes identified in the Regulatory Specifications.

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4. Orders shall be submitted by indicating the volume a Participant wishes to trade at the price indicated in a Quote, or in the case of the "sweep book" functionality indicated in a series of Quotes.
5. Orders submitted with respect to active bilateral Quotes shall be valid for a maximum period of time established by MTS and equal to 120 seconds. An Order which is neither accepted nor refused prior to the expiry of the maximum time limit will be automatically accepted by the System after the time limit.
6. Dealer to Dealer Trades guaranteed by Central Counterparty are anonymous. Quote Requester to Quote Provider or to Dealer Trades guaranteed by Central Counterparty are on a name give-up basis.
7. Trades not guaranteed by Central Counterparty are on a name give-up basis.
8. In case of a Trade originated from an Order sent by a Participant not using the Central Counterparty against a Quote inserted by a Participant using the Central Counterparty, the identity of the counterparty will be disclosed to both Participants promptly after the sending of the Order and therefore before the conclusion of the Trade.
9. In case of a Trade originated from the acceptance of an RFCQ sent by a Participant, each one of the two Participants knows the identity of the counterparty from initiation of the request;
10. In case of a Trade originated from the acceptance of an RFCQ sent to the Indicative Best Page, each one of the two Participants knows the identity of the counterparty from initiation of the request.
11. In case of a Trade Registration, each of the Participants will know the identity of the counterparty since the beginning. The Trade is nevertheless anonymous in case of a CCP cleared Trade.
12. The repo duration can vary from a minimum of one day to a maximum of no longer than permitted by the relevant CCP. The maximum period between trade date and the spot leg date shall be equal to one year for Trades originated from Trade Registration, or from matching of Quotes and Orders on broken dates.



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## Art. 19. Repo Segment – Types of admitted Trades (Art. 37 Rules)

1. The type of contracts (Classic Repo, Buy sell back, or both) allowed for each specific category of underlying Financial Instrument are listed in the Regulatory Specifications.

## Art 20. Repo Segment - Cancellation of Trades on the Repo Segment

1. Notification of Error Trades  
MTS must be informed, via email at [repo.cancellations@mtsmarkets.com](mailto:repo.cancellations@mtsmarkets.com), of error Trades.
2. Bilateral Agreement to Cancellation  
MTS will in all cases attempt to arbitrate and reach bilateral agreement for any Trade cancellation request. Management Company, as soon as possible, will notify the counterparty to the Trade that the Trade is under review and request that they agree to the cancellation. If there is agreement, then the request will be treated as a bilateral cancellation and the Trade will be cancelled immediately on receipt of email confirmation.

In the event of transactions carried out on an anonymous basis between two counterparties that use the Central Counterparty Service, MTS shall apply the procedure described above without disclosing the identities of the parties, unless MTS deems useful to reveal the identities in order to resolve the Trade dispute.

3. Unilateral Cancellation Procedure
  - i. In the event that the counterparty does not reply within 10 minutes or an agreement on the bilateral cancellation cannot be reached, the following procedure shall apply to ascertain whether a unilateral cancellation can be performed. The procedure for the unilateral cancellation shall only be started if the cancellation request has been notified to MTS within 30 minutes from the execution of the relevant Trade.
  - ii. In order to qualify for unilateral cancellation a Trade must be proved beyond doubt to deviate considerably from Fair Market Value of the security and term in question and to cause a financial loss greater than a certain monetary value threshold, as indicated in point 3.iv. Fair Market Value is defined using the following steps:
    - Comparison with last Trade executed in same Security/Term in a size no less than €5m within the previous 30 minutes, regardless of the side (whether the last Trade was hit or lifted).

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- If there are no qualifying Trades MTS shall determine the Fair Market Value of the relevant Financial Instrument and of the relevant Repo Term by requesting with no delay up to five (5) and in any case not less than three (3) electronic double-sided “inter-dealer” quotations (bid and ask rate) for the relevant Financial Instrument at the time of Trade execution
  - MTS will calculate average bid and ask rates from submitted rates. Fair Market Value will be taken as the average bid rate in the event of a repo seller requesting cancellation and the average ask rate in the event of a repo buyer requesting cancellation.
  - The five banks consulted are chosen from the top ten banks trading on the relevant Segment of the Repo Markets, by volume in the previous calendar year, and exclude either party of the disputed transaction.
- iii. If after following the three steps above, due to Market volatility and/or the inability of the banks surveyed to provide a bid and ask, MTS is still unable to ascertain Fair Market Value then MTS will not be able to proceed with a unilateral cancellation.
- iv. Once Fair Market Value is ascertained the alleged error Trade must also be shown to deviate and to cause a financial loss both greater than the following amounts to qualify for unilateral cancellation:
- Specific Trade, General Collateral Trade or Triparty General Collateral Trade up to 1 Week in duration by over **10** basis points from the Fair Market Value and causing a financial loss greater than **€1,000**.
  - Specific Trade, General Collateral Trade or Triparty General Collateral Trade greater than 1 Week in duration by over **10** basis points from the Fair Market Value and causing a financial loss greater than **€2,000**.
- v. If after following all of the steps above the reported error Trade is proved to deviate significantly from Fair Market Value based on the criteria listed above and to cause a financial loss greater than the monetary value thresholds listed above, MTS will enforce the unilateral cancellation of the Trade. MTS will inform the interested parties via telephone (with confirmation via e-mail) of its decision regarding the cancellation request within 60 minutes from the notification of the error Trade.
4. Major Market Incident
- In the event of a MMI, the provisions of foregoing Article 20.3 shall apply.

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## Art. 21. Repo Segment - Definition of General Collateral Trades (Art. 42 Rules)

1. With respect to "General Collateral" Trades the maximum number of securities to be delivered in relation to the amount of the transaction is as follows:
  - For transactions greater than Euro 0 up to Euro 10 million: maximum 2 securities;
  - For transactions greater than Euro 10 million up to Euro 75 million: maximum 5 securities;
  - For transactions greater than Euro 75 million up to Euro 125 million: maximum 10 securities;
  - For transactions greater than Euro 125 million up to Euro 500 million: maximum 20 securities;
  - For transactions in excess of Euro 500 million: maximum 30 securities.
2. With respect to large "General Collateral" Trades relating to the Italian Government Financial Instruments, the minimum amount of securities to be delivered is as follows:
  - All securities except for one shall be delivered for an amount equal to or in excess of Euro 75 million;
  - Only one security may be delivered with respect to amounts not exceeding Euro 75 million.
3. "General Collateral" Trades shall be defined by specifying the securities to be delivered within two hours from the execution of the Trade. Transactions entered into less than two hours before the relevant cut-off for trading and allocation activity in the specific Financial Instrument and term must be defined prior to such cut-off. In the eventuality the seller of a General Collateral Trade were to be in breach of these Rules due to its non definition of the General Collateral by allocation of the Financial Instruments to be delivered within the deadlines indicated above, MTS reserves the right to disclose the identities of the parties to each other.

## Art. 22. Repo Segment - Settlement and Central Counterparty service (Art. 45 Rules)

1. Participants may use any of the providers of the Central Counterparty Service listed in the Regulatory Specifications.
2. In case of automatic settlement, MTS shall provide the data required for the settlement of the Trades concluded in the Repo Segment to the Settlement Service providers or to the Central Counterparty Service provider indicated in the Regulatory Specifications.

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3. Trades guaranteed by Central Counterparty and not settled within the day established by the rules of the relevant Central Counterparties shall be subject to the buy-in and sell-out procedures defined within said rules.
4. Trades of government bonds, different from Italian government bonds transmitted to the relevant Settlement Systems, are subject to the relevant Settlement system rules regarding the number of days, following the day set for the execution, during which the Trade is recycled before being cancelled. Participants, based on separate agreements, can settle Trades executed but not yet settled. For Italian Government bonds the number of days is equal to ten.

## Art. 23. Repo Segment - Information to be provided to Participants (Artt. 46 Rules)

1. The minimum, maximum and average weighted price as well as the Traded volume of each Financial Instrument shall be calculated based on the Trades concluded during the current hour and on the Trades concluded in the previous hours thereto. The calculation shall be made every five minutes.
2. With reference to the Trades executed through the RFCQ and the Trade Registration functionalities, MTS may decide not to supply any of the information set forth in Article 46 of the Rules.

## Art. 24. Repo Segment – Provision of data to the public (Art. 48 Rules)

1. The list referred to in article 48 of the Rules shall be prepared at the close of each trading day (reference date) and shall be divided into sections.
2. With respect to Repo Segment Trades, the bulletin shall set forth the following with respect to each traded Financial Instrument:
  - a) the identification code;
  - b) the description;
  - c) the repo term;
  - d) the minimum rate;
  - e) the maximum rate;
  - f) the average weighted rate;
  - g) the Traded volume.

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3. The information described in the paragraphs above is provided on the basis of all Trades concluded on Market on the reference date, provided however that cancelled Trades and Trades concluded at prices which are obviously incoherent with Market movements, as determined by MTS shall not be included.

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## SECTION IV

### Art. 24. Disciplinary measures (Art. 53 Rules)

1. The remuneration for the Appeals Board ("Collegio dei Probiviri") and any other consultants used by the Appeals Board shall be determined on a case by case basis taking into account the importance of the subject matter and the required activity, as well as the complexity of the issue, the speed of the proceedings, the number and duration of meetings, and the requirement to perform audits and investigations as opposed to proceedings based exclusively on documents.

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