

MTS ITALY

Regulated Wholesale Market of (Cash and Repo) Government Bonds

Instructions

Effective as of 26 July 2017

Wholesale regulated market operated by MTS S.p.A



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REGULATED WHOLESALE MARKET OF (CASH AND REPO)

GOVERNMENT BONDS

INSTRUCTIONS

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 Instructions.

Art. 2. Settlement Service (Art. 9 Rules)

1. Dealers may use any of the following providers of Settlement Services:

<i>Category of Financial Instruments</i>	<i>Settlement Service Providers (*)</i>
Italian government bonds	Monte Titoli Spa
Austrian government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg
Belgian government bonds	National Bank of Belgium (NBB-SSS)
Danish government bonds (in Danish Crowns)	VP Securities
French government bonds	Euroclear France
Finnish government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg

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German government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg Clearstream Banking Frankfurt
Greek government bonds	Bank of Greece Settlement System (BOGS)
Irish government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg
Dutch government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg
Portuguese government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg
Slovenian government bonds	Euroclear Bank NV SA Clearstream Banking Luxembourg
Spanish government bonds	Iberclear

(*) MTS may decide to use one of the listed entities by previous written notification to the Dealers.

2. Indirect participation in the Settlement Service providers shall take place through a Declaration of adhesion to the Settlement Service signed by the Dealer and another party pursuant to which the latter shall procure the Settlement Services, which are required for the execution of the Trades entered into on the Market by the indirect participant. Such Declaration is attached to the Application Form.

Art. 3. Criteria for calculation of net equity (Art. 9.2.a) Rules)

1. 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.

Art. 4. Verification of admission conditions (Arts. 9 and 10 Rules)

1. The existence of the conditions set forth in article 9 of the Rules shall be investigated at the time of the examination of the Application Form.

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2. MTS may verify the compliance with the minimum activity requirement by requesting a self-certification to the applicant.
3. Compliance with the net equity requirement will be investigated by MTS with reference to the applicant's most recent audited financial statements, or, if more recent, the most recent supervisory report.
4. MTS may establish that the applicant 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 authorized to conduct mandatory audits in the country of origin.
5. Compliance with the requirement regarding the organizational structure and the possession of internal control procedures of the trading activity and, where applicable, the compliance with the Guidelines on systems and controls in an automated trading environment for investment firms, issued by ESMA on February 24, 2012, 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 applicant 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 indicated in art. 10, paragraph 2 of the Rules shall remain suspended.

Art. 5. Acts prejudicial to the integrity of the Market (Art. 11.4 Rules)

1. Acts performed with a view to distorting the correct formation of prices shall be deemed to be prejudicial. 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 stipulated on the Market shall also be deemed to be prejudicial, including, among others, the failure to deliver securities and cash within the set terms. Further, where the transaction was carried out anonymously between two counterparties using a Central Counterparty, failure to define "General Collateral" Trades before the relevant cut-off for trading and allocation activity in the specific instrument and term, shall also be considered prejudicial to the integrity of the Markets.

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2. Upon the occurrence of acts or omissions described in paragraph 1 above, MTS shall request information from the party concerned through the procedures established for such purpose, including, if it deems it appropriate, in accordance with articles 24, 25 and 26 of the Rules.

Art. 6. Fees (Art. 12.2 Rules)

1. The fee payable by each Participant for the services provided by MTS shall be determined by MTS and shall be notified to the Participants in accordance with the Market Participation Agreement.

Art. 7. Verification of the continued existence of admission conditions (Artt. 9 and 13 Rules)

1. 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.
2. MTS shall verify the continued existence of the net equity requirement on the basis of the most recent approved financial statements.
3. A Participant which, on the basis of the most recent 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. The three-months period referred to in article 14, paragraph 3 of the Rules 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 pursuant to article 9, paragraph 2, sub-section a) of the Rules through a certificate in accordance with article 4, paragraph 4. Such Participant may request a suspension from trading which MTS shall immediately grant. Such suspension shall not affect the obligations pursuant to foregoing article 6.

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5. The verification of the continued existence of the organizational structure and of the internal procedures for the control of the trading activities, and, where applicable, the compliance with the Guidelines on systems and controls in an automated trading environment for investment firms, issued by ESMA on February 24, 2012, 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.

Art. 8. Trading hours (Art. 17.5 Reg)

a) Cash Segment

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 Dealers 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 Dealers 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.

b) Repo Segment

6.30 – 7.45: Pre-Market phase, during which Quotes may be submitted, modified and cancelled. Each Dealer 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.

Art. 9. Registration of Trades (Art. 17 Rules)

1. 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:
- the contracting parties;
 - type, object and time and date of conclusion of the Trade;
 - quantity and price.

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2. Authorized parties shall be entitled to consult the archive at any time.

Art. 10. Transmission of settlement instructions (Art. 19 Rules)

1. The Company shall provide the data required for the settlement of the Trades concluded in the Cash Segment and the Repo Segment to the Settlement Service providers set forth in article 2.1.
2. Trades on Italian government bonds not guaranteed by the Central Counterparty transmitted to Monte Titoli and not settled within the tenth day following the scheduled settlement date are cancelled by Monte Titoli. Participants may however settle expired unsettled Trades pursuant to their contractual autonomy.
3. Trades on 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.

Art. 11. Central Counterparty Service (Art. 20 Rules)

1. Participants may use any of the following providers of the Central Counterparty Service:

<i>Category of Financial Instruments</i>	<i>Central Counterparties(*)</i>
<i>Italian government bonds</i>	LCH.Clearnet SA Cassa di Compensazione e Garanzia S.p.A. (CCG)
<i>Austrian government bonds</i>	LCH.Clearnet Ltd
<i>Belgian government bonds</i>	LCH.Clearnet Ltd
<i>Danish government bonds (in Danish Crowns)</i>	Not available
<i>French government bonds</i>	LCH.Clearnet SA
<i>Finnish government bonds</i>	LCH.Clearnet Ltd
<i>German government bonds</i>	LCH.Clearnet Ltd

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	LCH.Clearnet SA
<i>Greek government bonds</i>	Not available
<i>Irish government bonds</i>	LCH.Clearnet Ltd
<i>Dutch government bonds</i>	LCH.Clearnet Ltd
<i>Portuguese government bonds</i>	LCH.Clearnet Ltd
<i>Slovenian government bonds</i>	LCH.Clearnet Ltd
<i>Spanish government bonds</i>	LCH.Clearnet Ltd LCH.Clearnet SA
<i>United Kingdom government bonds (in Pound Sterlings)</i>	LCH.Clearnet Ltd
<i>Triparty Repo X-COM (**)</i>	Cassa di Compensazione e Garanzia S.p.A. (CCG)
<i>Triparty Repo EuroGC Plus (***)</i>	LCH.Clearnet SA
<i>Triparty Repo EuroGC (****)</i>	LCH.Clearnet Ltd
<i>Triparty Repo Sterling Term GC (*****)</i>	LCH.Clearnet Ltd
<i>GC Extra(*****)</i>	Cassa di Compensazione e Garanzia S.p.A. (CCG)

(*) MTS may decide to use one of the listed entities by previous written notification to the Participants.

(**) X-COM means the collateral management service provided by Monte Titoli S.p.A

(***) EuroGC Plus means the central clearing service for the tri-party repo market provided by LCH.Clearnet SA in collaboration with Euroclear and the Banque de France.

(****) EuroGC means the central clearing service for the tri-party repo market on euro denominated Government bonds provided by LCH.Clearnet Ltd.

(*****) Repo Sterling Term GC means Sterling denominated repo based on UBG (Unstripped British Government Debt (UBG) class of DBV (CREST Delivery by Value)

(***** GC Extra means a basket of non Italian government bonds settled via Monte Titoli with mandatory clearing in CCG.

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2. End Users may use any of the CCP Services indicated above in line with the rules applicable to the relevant CCP Service.
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.

Art.12. Information to be provided to Participants (Artt. 21.2. c and 21.3) 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 RFQ, the RFCQ and Mid-price functionalities, MTS may decide not to supply any of the information set forth in Art. 21, second paragraph of the Rules.

Art.13. Listino (Art. 21.5 Reg.)

1. The bulletin referred to in article 21, paragraph 5 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 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.

3. With respect to Repo Segment Trades, the bulletin shall set forth the following with respect to each traded Financial Instrument:

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- a) the identification code;
 - b) the description;
 - c) the minimum rate;
 - d) the maximum rate;
 - e) the average weighted rate;
 - f) the Traded volume.
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.

Art. 14. Cancellation of Trades on the Cash Segment (Art. 23.3.c) Rules)

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 prior to the closing of the Market or immediately afterwards. Upon receipt of the communication MTS will promptly contact the counterparty to the relevant trade regarding the requested cancellation.
- a) 2.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) Ascertaining Fair Market Value

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- 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 market makers”).
 - 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:

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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
- 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 3rd and rounded up to the 2nd decimal which determines the bid Fair Market Value

Avg Offer = $(109.65 + 109.50 + 109.30)/3 \Rightarrow 109.48$ truncated to the 3rd and rounded up to the 2nd 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

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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.
 - 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 Dealers 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.

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Art 15. Cancellation of Trades on the Repo Segment (Art. 23.3.c Reg)

1. Notification of Error Trades

MTS must be informed, via email at repo.cancellation@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 letter d). 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).
 - 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

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- 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 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 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 14.3 shall apply.

Art. 16. Disciplinary measures (Art. 26.74 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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Art. 17. Review of requirements for the registration in the Market Makers' Register (Art. 29 Rules)

1. Compliance with the requirements for the registration in the Market Makers' Register shall be reviewed in accordance with the procedures set forth in article 4, paragraphs 3, 4, and 5.

Art. 18. Limitation of the Market Makers' commitments (Art. 30 Rules)

2. Upon a Market Maker request, MTS can extend or restrict the commitments of such Market Marker as of Article 30.1 of the Rules to the Cash Trading of specific Categories of Financial Instruments.

Art. 19 Procedures for the allocation of Financial Instruments (Art. 30.2 Rules)

1. MTS shall make available on its website to each Market Maker, in dedicated password protected areas, its own list of allocated Financial Instruments. Market Makers are not entitled to ask for information about the Financial Instruments allocated to other Market Makers.

Art. 20. Quoting commitments (Art. 30 Rules)

1. Market Makers undertake to put double-sided Quotes on the Financial Instruments allocated to them.
2. The Market Makers' compliance on each allocated Financial Instrument 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

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3. For each listed 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.
4. The total daily result shall be the average of the results obtained on each single instrument.
5. The monthly total result shall be the average of the daily results.
6. 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.
7. 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 Instrument together with the spread and Market average quotation time.
8. 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.
9. Where a Market Maker fails to honour its quoting commitments in accordance with Article 30 of the Rules 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.
10. 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 Dealer.
11. In the event paragraph 10 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

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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.

12. Market Makers shall have quoting commitments on all the following Categories of Financial Instruments: BTP, BTi, CTZ, and CCT.

Art. 21. Verification of continued existence of requirements for registration in the Market Makers' Register (Art. 31 Rules)

1. The verification of the continued existence of the requirements for the registration in the Market Makers' Register shall mirror the corresponding proceedings set forth in article 7.

Art. 22. Procedure for the re-registration in the Market Makers' Register (Art. 32 Rules)

1. In the event that a Dealer 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 Dealer in such Register.

Art. 23. Conclusion of Trades – Cash Segment (Artt. 34, 36 and 38 Rules)

1. Quotes and Orders can be put in the Systems only for a quantity equal or multiple of the minimum trading quantity. Quotes and Orders cannot be inserted for quantities below Euro two millions.
2. Orders shall be submitted by indicating the volume and "exclusion price", which shall be the price until which the best conditions for the party submitting the Order are satisfied and which represents the threshold for such party to enter into a Trade. The Order shall be executed automatically up to the "exclusion price" (included).
3. Without prejudice to the "exclusion price", the matching of a Quote and an Order until the desired volume is reached which results in the conclusion of a Trade shall occur, in accordance with the following criteria:
 - a) the available Best price is applied;
 - b) if there are more than one Quote at Best price at such moment in time, the matching is effected in accordance with the chronological order of submission of the Quotes, starting from the oldest Quote until the most recent;

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- c) if the entire volume of the Order is not matched following the application of the above criteria, the price closest to the Best price shall be applied.
4. The provisions set forth in the paragraphs above shall also be applied in connection with the entering into Trades through the matching of two Quotes.
5. In accordance to Art. 34, paragraph 1, of the Rules, Dealers, who are not Market Makers, can insert Quotes on the System regarding Financial Instruments such as, for example, BOT and/or with regard to categories of Quotes such as, for example, Mid-Price.
6. Trades are anonymous.
7. Settlement of Cash Trades shall take place on the second business day following the conclusion of the relevant Trade.

Art. 24. Contracts allowed – Repo Segment (Art. 39 Reg.)

This table shows the type of contracts (Classic Repo, Buy sell back, or both) allowed for each specific category of underlying Financial Instrument:

Category of Financial Instrument	Repo contract allowed
Italian Government bonds	Classic Repo
Austrian government bonds	Classic Repo and Buy Sell Back
Belgian government bonds	Classic Repo and Buy Sell Back
French government bonds	Classic Repo
Finnish government bonds	Classic Repo and Buy Sell Back
German government bonds	Classic Repo and Buy Sell Back
Greek government bonds	Classic Repo and Buy Sell Back
Irish government bonds	Classic Repo and Buy Sell Back
Dutch government bonds	Classic Repo and Buy Sell Back
Portuguese government bonds	Classic Repo and Buy Sell Back
Slovenian government bonds	Classic Repo and Buy Sell Back
Spanish government bonds (settled via Iberclear)	Buy Sell Back
Spanish government bonds (settled via Euroclear Bank and Clearstream Banking Luxembourg)	Classic Repo
British government bonds (in Pounds Sterling)	Classic Repo
Triparty Repo X-COM *	Classic Repo
Triparty Repo EuroGC Plus *	Classic Repo
Triparty Repo EuroGC *	Classic Repo
Triparty Repo Sterling Term GC *	Classic Repo

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Non Italian euro denominated government bonds (such as Irish, Portuguese and Spanish government bonds) settled via Monte Titoli as GC Extra basket	Classic Repo
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* For the relevant definitions please refer to Article 11 above.

Art. 25. Conclusion of Trades – Repo Segment (Art. 41, 42 and 43 Rules)

1. Orders submitted with respect to active 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.
2. Dealer to Dealer Trades guaranteed by Central Counterparty are anonymous. Dealer to End User Trades guaranteed by Central Counterparty are on a name give-up basis.
3. Trades not guaranteed by Central Counterparty are on a name give-up basis.
4. In case of a Trade originated from an Order sent by a Dealer not using the Central Counterparty against a Quote inserted by a Dealer using the Central Counterparty, the identity of the counterparty will be disclosed to both Dealers promptly after the sending of the Order and therefore before the conclusion of the Trade.
5. In case of a Trade originated from the acceptance of an RFQ sent to the Best Page, the identity of the Dealers receiving the RFQ shall be disclosed only in case of acceptance of the RFQ.
6. In case of a Trade originated from the acceptance of an RFCQ sent by a Dealer, each one of the two Dealers knows the identity of the counterparty since the start;
7. In case of a Trade originated from the acceptance of an RFCQ sent to the Indicative Best Page, each one of the two Dealers knows the identity of the counterparty since the start.
8. In case of a Trade originated from the matching of two OTC Registrations, each of the Participants will know the identity of the counterparty since the beginning. The Trade is nevertheless anonymous.
9. The repo duration can vary from a minimum of zero days to a maximum of two years. The maximum period

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between trade date and the spot leg date shall be equal to one year for Trades originated from the acceptance of an RFQ, from the matching of two OTC Registrations, or from matching of Quotes and Orders on broken dates. In all other cases shall be equal to 2 business days.

Art. 26. Definition of General Collateral Trades (Art. 44 Rules)

1. With respect to “General Collateral” Trades relating to the Italian Government Financial Instruments 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. With respect to “General Collateral” Trades relating to foreign Government Financial Instruments, the minimum amount of securities to be delivered shall be as follows:
 - All securities except one shall be delivered for an amount equal to or in excess of Euro 25 million;
 - Only one security may be delivered for an amount not exceeding Euro 25 million.

4. “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 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.

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