



X-COM

The Triparty Collateral Management Service

A new role for collateral, from back-office to centre stage.

The 2008 financial crisis has resulted in, among other things, a suite of domestic and international regulatory changes, aimed at improving the financial sector's capability to absorb shocks related to financial stress and avoiding any risk of contagion of the market from a single participant's failure.

Such regulatory changes have given collateral a new and critical role, catalysing the market's attention and

increasing the demand for high-quality collateral for centrally cleared, bilateral derivatives trading, as well as leverage ratios.

As new regulations aim to make markets more transparent, resilient, and less reliant on central bank funding, collateral management solutions can play a relevant role helping firms to maintain regulatory compliance while maximising liquidity and minimising risk.

Impact of regulatory drivers (EMIR / MIFID II, CRD IV / Basel III, BCBS-IOSCO)

THEMES	MAIN IMPACTS
Central clearing	Buy-side institutions have to use CCPs for cleared OTC derivatives. CCPs determine the haircuts they set for the various collateral classes.
Account structure	Increased focus on collateral segregation account structure: omnibus segregation and individual segregation.
Liquidity standards	New liquidity standards (LCR and NSFR) have been defined, requiring banks to hold more high-quality liquid assets (HQLA) on their balance sheet.

By means of a more effective use of the securities portfolio, X-COM enables counterparties to improve liquidity ratios.

As a Monte Titoli client, you can rely on a partner who is able to satisfy all of your needs from A to Z, not just for custody and settlement, but also for collateral management thanks to the creation of our X-COM Triparty Collateral Management service.

Monte Titoli's platform provides simple and fully automated access to a broad set of collateralisation functionalities covering on-exchange transactions. In real time the platform manages all processes involved in the opening and closing of financing facilities, as well as the substitution and reuse of different types of assets.

Furthermore, as Monte Titoli is fully operational in T2S, collateral management can benefit from a full harmonisation and standardisation of securities settlement transaction processing.

Simple, easy and efficient.

Your needs

X-COM is the Triparty Collateral Management Service able to support the funding and investment strategies of your treasury by:

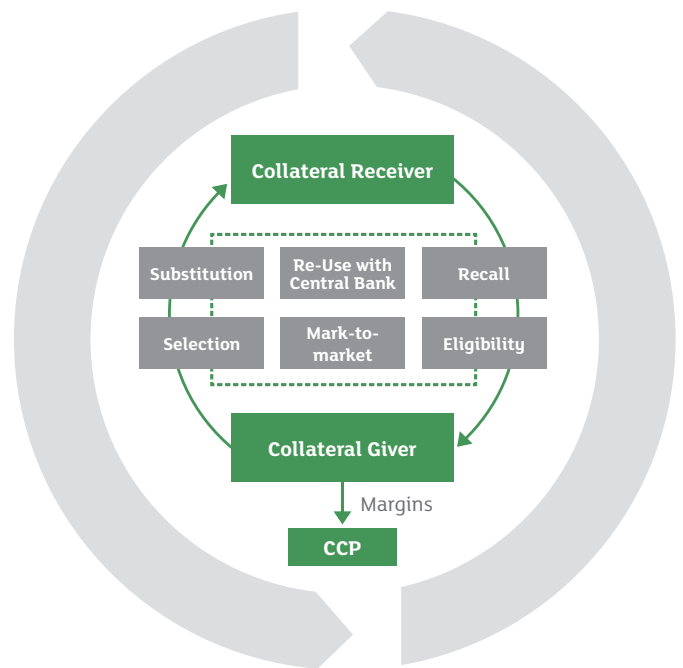
- mobilising the whole securities portfolio to improve the Basel III indicators, mainly LCR
- using the securities portfolio as new cash, funding your own portfolio
- keeping full control of the securities portfolio for immediate and unpredicted funding and investment needs
- facilitating the management of collateral with no operational burdens
- lengthening the duration of financing deals to obtain better interest rates.

Key benefits

For **cash providers**, X-COM allows the recovery of profitability within the treasury management in a context of negative interest rates.

To **cash receivers**, X-COM provides the opportunity to move a significant part of their securities portfolio, which would otherwise have to be retained in a central bank, into the market. Providing a market alternative, these securities become more liquid with immediate benefits on the Basel III liquidity indicators and in terms of capital absorption.

X-COM is targeted at treasuries, repo desks, brokers/dealers, and buy side (asset managers and insurance companies). Thanks to an integrated and fully automated functional architecture, the client enjoys complete control of their portfolio of collaterals, whilst utilising a flexible set of tools for optimal management of their risk profile.



Operationally effortless

All activities for administrative management of collateralised positions are outsourced to Monte Titoli acting as neutral third party agent

Portfolio control

Collateral givers can always access their whole portfolio, recalling and substituting securities

Risk management

Continuous and effective control on market and counterparty exposures. Mark-to-market, customised eligibility criteria, haircuts and concentration limits

Target2-Securities

Embedded full compatibility to leverage on the new facilities provided by the ECB platform, allowing settlement in central bank money

A full suite of products.

Normally banks only pledge government bonds as collateral for loans.

There thus exists a massive number of other securities, which have so far not been deployed.

X-COM is bringing these back into circulation.

In fact the system is able to accept as collateral financial

instruments that are not normally accepted by central banks or CCPs – such as BTP Italia bonds, corporate bonds and those issued by local authorities.

All these securities are selected automatically in varying percentages in order to make up the most advantageous basket for the customer.

X-COM

All activities related to the management of collateral are fully outsourced to Monte Titoli as triparty agent.

X-COM plays the role of third party agent:

- neutral in the evaluation of guarantees
- responsible in the management of risk profile chosen by each participant
- guarantor of the full asset segregation

Guaranteed repo with CC&G

Participants may deal on money market platforms on an anonymous basis and with the guarantee of CC&G.

The process is completely automatic and, once repos are closed on the trading platform, participants are not required to make any other intervention.

CC&G guarantees three different repo baskets:

- ECB Euro denominated Basket Repo (ISIN:IT0005094534)
- ECB Euro denominated Basket Repo HQLA (ISIN:IT0005146177)
- BTP Italia (ISIN IT0005175028)

Within the guarantee scheme of CC&G you can use the largest range of Italian securities available (effective concentration limits and eligibility criteria)

Effective haircuts on Italian securities

Pledge to Bank of Italy

X-COM makes it easier for its participants to access operations with the central bank.

Clients can collateralise eligible securities both for monetary policy and intraday liquidity operations in central bank money.

X-COM provides re-use facilities with the central bank. Clients may re-use collateral coming from market trades in operations with Bank of Italy. In this way clients are in fact able to sterilise their liquidity position.

The re-use feature is aimed at meeting these needs, in particular with regard to the operations of cash providers, up to the full value (the global amount principle).

The re-use feature allows:

- neutral representation of the liquidity position at treasury level
- greater flexibility involving securities received from the market
- optimisation of the unencumbered portfolio for intraday liquidity purposes (BCBS 248 compliant)
- automatic mobilisation on the Bank of Italy's pool account

Monte Titoli, LSEG's Italian-based CSD, is a leader in the Post-Trade industry with c. €3.3 trillion of assets under custody.

Monte Titoli offers pre-settlement, settlement, custody, asset servicing and collateral management services on domestic and cross border securities as well as issuer services to a large domestic and international client base of 100 banks, brokers, CCPs and stock exchanges and 2,300 issuers. In 2015, its settlement service processed 60.3 million instructions. With a transaction settlement rate of 99% , Monte Titoli is the largest CSD in the initial wave of T2S and is fully operational on the pan-European platform.

Monte Titoli aims to strengthen its presence in Europe by serving its Clients with a full set of core and added value services for T2S markets.

X-COM, the Monte Titoli collateral management platform, has been enhanced with the launch of a tri-party repo service guaranteed by CC&G.

Monte Titoli is part of London Stock Exchange Group.

CC&G, founded in 1992, offers Central Counterparty (CCP) services to cover a broad range of trading venues and asset classes, including Equity, Equity Derivatives, Energy Derivatives, Agricultural Derivatives, Repos, Tri-party Repos, Bonds and Eurobonds.

Counterparty risk is protected within state-of-the-art margin methodology specifically calibrated per asset class with over €15 billion margins managed in 2015.

Additional level of protection is represented by four separate default funds: €3.3 billion fixed incomes; €1.5 billion equity and equity derivatives; €5.4 million energy derivatives; €0.4 million agricultural derivatives.

CC&G has over 160 financial institutions, from 10 European countries.

CC&G is incorporated in Italy under the supervision of Bank of Italy and is authorised to offer services and activities in accordance with European Market Infrastructures Regulation (EMIR).

CC&G is part of London Stock Exchange Group.

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