

## Amendments to the Instructions of the Settlement Service

### X-TRM Service: bilateral netting for contracts in a market not guaranteed by a CCP

The amendments described below will enter into force on **20 May 2019**, subject to the positive outcomes of the tests of the Service.

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A new aggregation model for contracts to be settled in the Settlement Service operated by Monte Titoli is introduced, within the context of the bilateral netting functionality of the X-TRM Service, in addition to the current criteria for the aggregation of the contracts that will continue to apply for contracts to be settled in foreign settlement systems.

In particular, it is expected that the X-TRM service will acquire such contracts and proceed to the calculation of the bilateral balances by aggregating the transactions: i) concluded between the same counterparties (traders) ii) with the same ISN, iii) with the same settlement date, iv) distinctly concluded in own account/third party account.

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## INSTRUCTIONS OF THE X-TRM SERVICE

### 3.6.4 Bilateral netting without interposition of the CCP for trades from Markets

~~Instructions can be routed to Foreign Settlement Systems as individual trades or in the form of aggregate securities/cash balances.~~

For markets that request it, the X-TRM Service provides a Bilateral Netting function without the intervention of the CCPs which, ~~exclusively for Foreign Settlement Systems~~, automatically performs the aggregation ~~on netting~~ of trades **sent to the market within the closing of the service in the trading day**, ~~for all intermediaries who are members of that market.~~ **According to the criteria established. Transactions resulting from the automatic aggregation of the contracts fall in the class of “compensation”.**

**Compensations are created automatically with “ad hoc” origin** ~~The relevant transactions are entered into X-TRM with an “ad hoc” origin and a bilateral balance for each of the counterparties subjected to netting (the type of operation comes within the class of “transfers”) is subsequently~~ **and forwarded to the Foreign Settlement Systems designated, according to the timing agreed with the markets.**

~~In accordance with all the trades entered by the market, on the afternoon of the day “T” before the close of the service, the new automatic transfers arising from the bilateral clearing are~~

~~created in X-TRM with their new origin. Following this operation, the indications of quantity/nominal value and countervalue will necessarily be opposing.~~

The automatic creation of transfers is in line with the following aggregation criteria:

**A. For contracts to be settled in the foreign settlement services:**

- Issuer **identifier (trader)**;
- ISIN;
- Settlement date;
- Date of trade;
- End-of-validity-date;
- Sign of the trade;
- Type of issuer trade **(trader)**;
- Settlement account of the issuer **(trader)**;
- Counterparty **identifier**;
- Type of counterparty trade;
- Settlement account of the counterparty;
- Origin;
- Settlement system.

**B. For contracts to be settled in the Settlement Service operated by Monte Titoli**

- **Market or segment of the contract origin;**
- **Settlement system**
- **ISIN;**
- **Settlement date;**
- **Issuer identifier (trader)**
- **Type of issuer's trading (trader)**
- **Counterparty identifier;**
- **Type of counterparty trading**

**In case the issuer and the counterparty are the same, the aggregation will take place considering the quantities and the equivalent values in absolute terms.**